What is Supply and Demand?

In the next sections, you will be able to learn my supply and demand methodology. I believe that merely reading all the sections on the left side will make you a better trader. Why? The primitive forces of capitalism rule the markets the same way the law of gravity rule our planet. Buyers and sellers are in a constant and never-ending battle.

The only reason why price moves in any and all markets is because of an imbalance in supply and demand. The greater the imbalance, the greater the move.

In the meantime, news occurs every day. Positive news usually means increased demand and lessened supply, equating to higher prices. Negative news usually means lower demand and increased supply.

Supply is simply the amount available, while demand is the amount that is wanted. Supply is the amount available at a particular price, while demand is the amount that is wanted or desired at a specific price.

- As prices increase, seller's willingness to get rid of their products will also increase. This is called the supply curve.
- On the other side of that equation, buyers will demand more at lower prices; as price increases we will generally see that demand fall

Real life example

Let's imagine that your wife asks you to purchase some meat for dinner. You go to the market notice that the price on steak has almost doubled! It's now going to cost twice as much to enjoy your barbecue, and you quickly begin to think how valuable that steak might be. You begin to look for alternatives, such as hamburger or chicken; replacement products with which you can get a similar result at a far lower cost.

While you may decide to pay the doubled price of that steak, we have to think of the market dynamics at work. Not every steak buyer would be interested in doing this, and many would opt for replacement products. This is a living example of a demand curve. As price increased, demand decreased.

Let's say the next week you go to the supermarket and you notice that that same steak is half of what you are used to paying, or 80% off of last week's price. Now you begin thinking in a different direction than you had last week. You are thinking that you can load up while the price is cheap. Customers are loading up too while price is that cheap, and you realize that if you don't act fast all of the discounted meat will be gone before you know it!

This is demand at work again. As price has moved lower, we've seen how demand increased. Not only for you, but the market in general. This example isn't all that different than what we can see on a currency chart.

The Forex market is one of the biggest on Earth, and the reason for that is the heavy demand behind the traded assets. Currencies are the basis for the world's economy. Whenever one economy wants to trade with another economy (provided different currencies are used) an exchange will be required.

Unlike markets that are traded through an exchange, each Forex broker is essentially creating a market. More or less, the charts will look the same, but individual bars can be different and price patterns in particular can vary a bit from broker to broker. Ultimately the various markets created by the brokers will to some extent be arbitraged so they stay rather close to each other. In the end, you have to just trade what you see on your charts and ignore everything else.

What we perceive as the personality of a pair is just manipulation of a pair. Some pairs have lower liquidity (some cross pairs and exotics), zones are overshot and then they work great. That is not the picture of "this pair does not respect supply and demand", that is the picture of "this pair is being manipulated, bear traps, and bull traps".

Remember that Forex is the biggest market in the world, it's traded by professionals and not by retailers*. A hunter has all sort of traps to capture its prey, so do the big institutions. We are trying to combat professional hunters, we retailers are the prey.*

Type of SD levels: Extremes (valleys and peaks) versus Continuation Patterns (CP)

There are only 2 types of supply and demand imbalances.

There are many nuances that you need to learn through practice and a lot of screen time. There are as many nuances as different brands of cars are... BMW, Ford, Mercedes, Chrysler, Chevrolet, they all have different colours and shapes, but they all are cars. Same applies to the 2 types of imbalances.

Imbalances and different cars brands
How do you think you are able to make out the differences between different Ford models? Because you've seen so many in your life (you may have own a couple), you were interested in those models, you read about them, you read articles on car magazines, TV ads... your brain is used to seeing them, so you can differentiate between almost identical models.... Trading is the same, any learning is the same, practice is needed.

1- PEAKS & VALLEYS

Best at the extremes of the curve or close to it. These swings are normally reactions to previous levels, either another valley/peak or a continuation pattern. Most of the time a retest of a swing will be in reality a second pullback to the level.

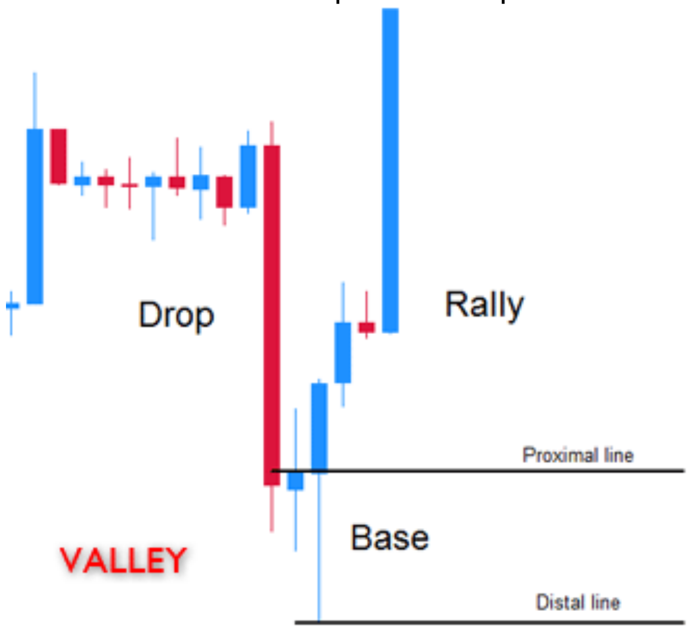
- **R**ally-**B**ase-**D**rop
- **D**rop-**B**ase-**R**ally

A zone's basing candles can be easily identified by using Rectangle Reader indicator and the fractal dots indicator (Bill Williams). This fractal indicator draws small dots at the lows low and lowest high of the candle, it requires a V or inverted V shape with 2 candles making a higher low to the left/right of the candle or making lower highs for the opposing zone.

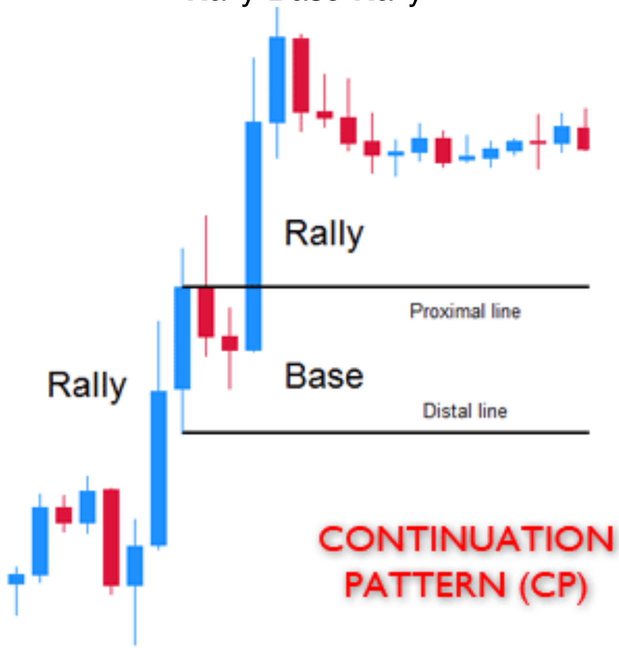
2. CONTINUATION PATTERNS (CP)

- **Best for momentum, when trading with the trend**
- Low odds when the Trend line is broken on the TF it's been drawn
- Low odds when price has been running for a while and more than 3 CPs have been formed in a row
- High odds at the beginning of a trend change or reversal or after a WoW trade that goes with the bigger picture's trend and momentum

Drop-**B**ase-**D**rop



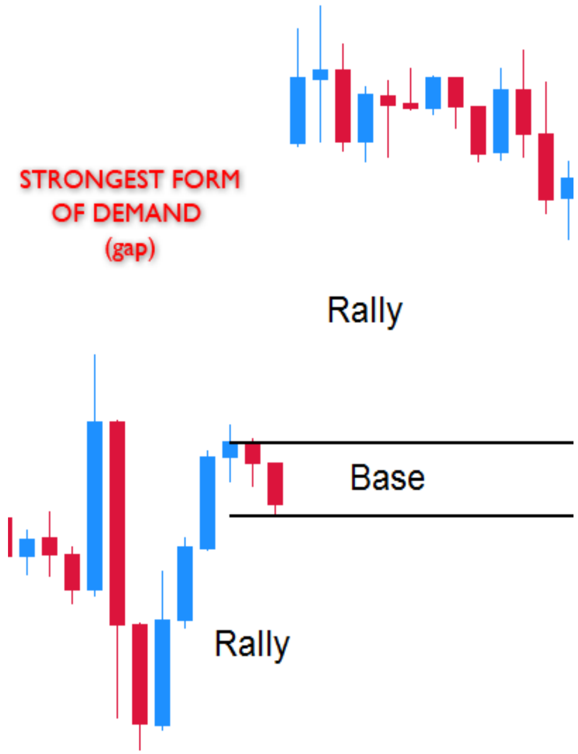
Rally-**B**ase-**R**ally



The strongest form of demand is a level with a gap.

A gap stands for an extreme imbalance, too much buying pressure to get buyers filled until higher.

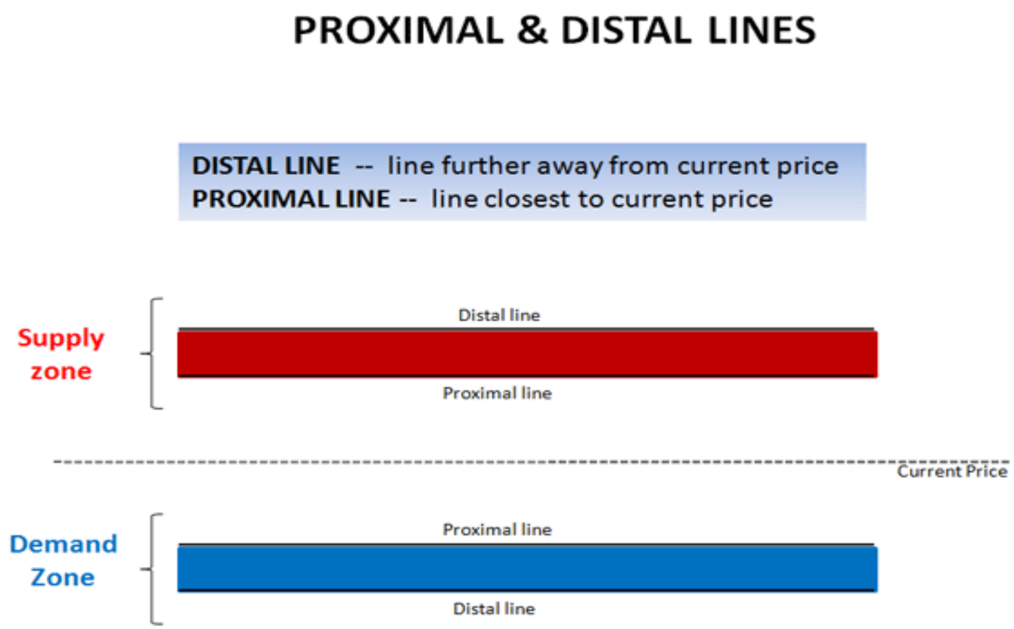
Always draw the zone that is right below/above the gap, not the zone right before it. The origin of the imbalance is always at the origin of the gap



The first thing you want to do is become an expert locating these kinds of levels on any price chart, be it on a H4, a D1 or a H1 timeframe. It's just the same because price is fractal, whatever structures and patterns there are, you will see them on all timeframes. Many say that drawing the levels correctly can be "considered an art"; it takes time, so be patient, your mind and eye need training, and lots of screen time till it becomes second nature to you. **How far back in time do I need to go in order to find supply and demand levels?** As far as you need to, days, weeks, months or years!

How do I draw a level in a consistent and mechanical way?
A level is composed of two features or prices:

- **The proximal line.** The price closest to current price
- **The distal line.** The price further away from current prices *Both prices can be easily identified on a price chart thanks to the indicators we use, they draw price labels for both lines as well as the width in pips for any level*



FRESH levels versus ORIGINAL levels

Supply and demand levels can be:

1. **Fresh.** Imbalance has been created but price has not pulled back yet, untested level
2. **Original.** Level has been created out of the blue, not being a reaction to any previous level
3. **Original and fresh.** Same as original, but the level is also fresh (untested)
4. **Not fresh (tested)**. Price has pulled back to it at least once
5. **Used up.** Price has pulled back to level several times, 2 or more. Not good for trading, confirmation would be needed

A level will be considered as a level once it has created an imbalance.

FRESH LEVELS

How do we know if we have a fresh level of supply? (Opposite for fresh levels of demand)

1. **Look right to find fresh levels**
2. Draw a horizontal line at the proximal line, and see if price has touched or tested the level
3. If price has not pulled back to the proximal line then it's a fresh level
4. Freshness of a level is known when you look right, you have to see if price has pulled back into the level or not

If price consolidates away from a level and closes with a full OHCL candle, the new imbalance will be considered as a fresh level

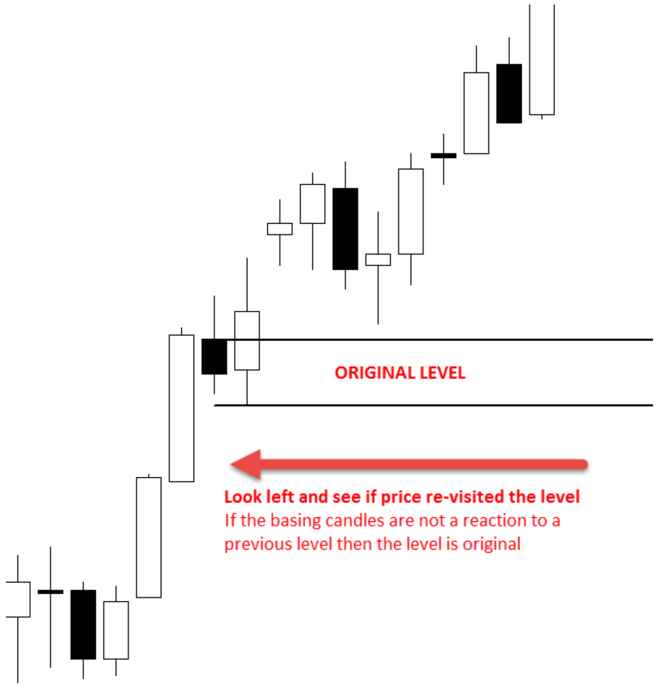


ORIGINAL LEVELS

How do we know if we have an original level of supply? (opposite for original levels of demand)

1. **Look left to find original levels**
2. Draw a horizontal line at the distal line, and scroll your charts UNTIL you see that it touches a candle
3. If that candle is part of another supply level, then the supply level you were analysing is not original
4. You are not allowed to cut through candles, that is, once you look left by drawing the horizontal line and the line meets a candle, you stop and decide if it's a reaction to a previous supply level
5. To know how original a level is you need to look left because you need to look at the origin of the level

If price consolidates away from a level and closes with a full OHCL candle, and then retests the imbalance, the level will be considered as non-fresh





3
2
1
Is price action in the circled area a zone that will affect the originality of the blue level? **NO!!! We don't cut through candles. We go up and left until we find a supply zone**
Why? Because we must look UP and left above price action to the most current price action. That is not supply. The blurred area is not taken into account to check if level is original or not, that's past and not above and left of current price
Original supply level: look UP and LEFT above the zone. We need to look above the level in question to see prior prior MOST RECENT price action. We have to go back in time 1 candle at a time and stop at the most recent candle. See the process in numbers, you must STOP when you see a new level of supply. Is 1 a supply zone? No, is 2? No. Is 3? No. Blue level is definetely NOT a reaction to a previous zone
If distal line of Supply Zone is not a reaction to a zone above it --> Original.
In this case, it's original AND fresh

WHEN TO USE FRESH LEVELS AND WHEN TO USE ORIGINAL LEVELS?

- We'll always use fresh levels to place our entries, never non-fresh levels
- Use fresh AND original levels to trade counter-trend. Great for location setups
- We just need fresh levels if we are trading with the trend, with momentum setups
- If you want to go counter-trend, lean on fresh and original levels for higher odds.
- Drill the HTF area down to your entry timeframe and either look for a fresh AND original area, OR wait for a confirmation type of trade (brand new SD level on your entry timeframe). If the HTF is fresh and bigger picture trend is with you, you just need a fresh new imbalance to lean on or an existing level nested within the HTF zone to lean on

When is a supply or demand level confirmed as a level?

1. **The imbalance needs to take out an opposing supply/demand area** on the same TF that imbalance has been located
2. **The potential imbalanced needs to solidly break a Trendline with a full OHCL candle.** Higher Highs or Lower Lows in the timeframe where the imbalance has been detected is not enough (opposing zones are to be located in the same TF)
3. Exception:
    - **WoW trades with the bigger picture's trend.** If we are at the extremes in the curve (D1 demand fresh zone, it does not apply to non-fresh zones) and the Realignment/Sequence trend is with us (momentum + location type of trade), we won't need that the new lower timeframe demand (H4 in this case) takes out previous H4 supply area for our entries, since the D1 demand is fresh. If the D1 demand was not fresh then we'd need that previous supply be removed before the brand new demand is considered for a confirmation type of trade

Is a level tested on departure considered as non-fresh or tested?

No. We first need to consolidate away for at least one OHCL candle, then retest the potential imbalance in order to consider it a tested or not fresh. We need a correct base for a valley/peak or CP, price moving away and consolidating away, then revisiting the imbalance after consolidating away. There are other times where price is retested on departure before the level itself is created, that does not mean it's a tested level, it will only if price continues to rally higher and higher, hits a HTF SZ, then drops into the tested-on departure imbalance, these imbalances tend not hold well.

Price reacted to the wicks of an imbalance and not to the candlesticks bodies at the base? Is it still considered fresh?
Due to the nature of Forex, the biggest unregulated market in the world, there are too many brokers offering different price feeds, bids prices being manipulated all the time. It's very different to Futures where there is just one price feed and a level looks the same on all brokers since the price feed is the same.

However, in Forex, In Broker A, a level with some wicks and price reacting to those wicks instead of to the candlesticks at the base could be a clear reaction to a similar level with different candlestick bases in Broker B. If the trend is super clear and lots of room to opposing level then we might want to keep our orders on that kind of level wick tested level, else if price is starting to consolidate and hits an opposing area we might consider it as touched for the reasons explained above.

This is a tricky scenario and we need to be prepared for this since it will happen many times. The unregulated nature of the Forex markets allows for many of these annoying nuances that need to be taken into account before making a simple trading decision.

How far back in time do we have to look back in history to locate supply and demand levels?

Look back as far as you need to, weeks, months of years. Study your charts and see how the zones react even if they were created a few years ago. It's the same thing over and over and over, on any pair, index, equity or commodity, remember supply and demand rules our lives

The number of candles is irrelevant, we just have to look back as much as we need

When do we consider a zone to no longer be valid? When is it considered to be broken and needs to be removed from our charts?

<u>The zone is no longer valid when it's been taken out by as little as 1 pip</u>

We don't wait for a close above or below the zone in order to consider a zone as a violation

We don't wait for a full OHLC candle above/below the zone

Sometimes, we'll have zones overshot by a few pips, others by quite a bunch or pips and we'll see it dropping/rallying after that, most likely after our SL has been hit. If that is the case, a brand-new level might have formed confirming willing buyers/sellers, which could be good for a trade once it pulls back to retest it by using the confirmation type of entry.

<u>Setting & forgetting your trades is got pros and cons!</u>
Sometimes levels will be overshot by a few pips, this is why having a decent wiggle room added to your SL is key. Market makers and professionals are lurking like hyenas, they love using baits. Others your SL on a short will be hit and then price will drop like a rock. You will not want to short that pair anymore because you had a loss the first time, but what will most likely happen then?
The second entry will be the good one and you won't have taken it because you were scared after the first loss!

Does it ring a bell to all of you? We need to add more wiggle room to the trades at the extremes, we should not be scared to take a second trade if the first one happened to be a loss. That's the logic and idea behind it. Trading is all about statistics and odds, playing your odds is all you can do, expecting that the next trade will work.

What a good BASE should look like

ANY SUPPLY AND DEMAND LEVEL HAS 3 FEATURES:

1. First leg
2. Base
3. Second leg or Departure leg. This is the one that creates the imbalance at the origin of the level



FEATURES A GOOD BASE MUST HAVE:

- Maximum 4-6 candles in the base. No matter which timeframe
- Tight candle bases with bodies <= 50% of the candle range
- Strong departure, 2nd leg (IMPULSE) with at least 2 ERC candles closing at its high or near its high (about 80% of the whole candle range)
- **Exceptions:**
    - The 50% body rule does not apply to CP (continuation patterns)
    - Many good CP patterns are made of marubozu candles
- Bearish/Bullish Engulfing patterns
- Dark cloud cover (supply) and Piercing patterns (demand)

Important note on the 6 candles rule:

- A H4 level with more than 6 candles does not meet the rules, but if the D1 chart shows a D1 CP then it's valid if the D1 rules and trend go with it. A D1 CP is composed of at least 5 x H4 candles, a D1 CP will probably have about 10-12 H4 candles. So a H4 supply with more than 6 candles might be a good area if D1 CP is valid and D1 and HTF are down. It's all about multiple timeframe analysis. If you look at the H4 level on H1 then you will see maybe 20 x H1 candles. There must be a way to put a STOP on how much you drill down a zone or it will become a loop and no level will ever be valid

DEPARTURE IS KEY:

- We need at least 2 ERC candles closing at its high or near its high (80% of the candle range) when price leaves the level. Sometimes the second ERC might not close at 80% but it broke previous valley's second leg after a new trend is being established

DO NOT CONSIDER A BASE THAT:

- Has only doji candles as a base. Doji + Gap is considered valid
- Has more than 6 candles
- Has wicky candles (long tails and/or wicks), they are normally reactions to previous levels and the picture indecision/confusion

WHY SINGLE DOJIS ARE NOT GOOD IN A BASE:

- **It all has to do with the context where that doji is found** or any other candlestick or SD level
- A doji, single spinning top candles ("wider" doji) are great candlestick patterns, but it all DEPENDS ON WHERE that doji is located
- A doji shows indecision, that the market is losing steam... A single doji pattern in the middle of nowhere forming a CP pattern is not a good thing. That same lonely doji at a breakout of an important support/resistance are is a great pattern
- A doji accompanied by other candlesticks formations is much better because a single doji does not say much about the markets, you need to look at the context. A doji accompanied by 1-3 more candles at the base, let's say with an engulfing pattern, several shooting stars and a nice drop away from a HTF zone is a perfect signal... but 1 single doji is not enough to tell us that the market "is likely to turn"

How to draw bases with engulfing and piercing patterns

There are many ways of drawing a basing for a level, markets do not provide with the perfect looking base every time, in fact, almost never. There are many nuances we need to take into account, we need to learn how to read price, price action is key. As far as price action is concerned there are a few well known candlestick patterns that provide high odds trading opportunities, but they come in very different shapes. Sometimes the basing candle for a SD level just will be:

- Just a single 50% candle
- 4-6 50% basing candles
- A couple of ERC inside candles enclosed in a tight area not closing above/below a tight range
- 50% basing candles and non-50% candles
- 50% candles and wicky candles (high wave candles)

There are unfortunately many different looks and shapes for basing zones. We already know some rules on how a good base or CP should look like. This lesson will focus on 4 very well know candlestick patterns which are very common on supply and demand valleys and peaks, as well as CP patterns. These 4 patterns are just 2, but we have 2 for demand and 2 for supply:

- **Engulfing** patterns
- **Piercing** patterns

<u>NOTE:</u> we don't need to include the highs (wicks) of basing candles to draw a demand zone or the lows (tails) for a supply zone. Sometimes we may decide to draw the level wider if the level is not too wide or we just want to have a bigger area in case price does not reach the candle body and we miss the trade. Remember that the imbalance is measured taking into account the rules explained below (candle body's closes/opens) and not from the adjusted level that you may have decided to draw. You must be aware of that tweak, you might miss a trade because of that.

WHAT IS AN ENGULFING PATTERN

An engulfing candlestick pattern is considered a reversal pattern:

- We need at least 1 candle at the base, this pattern is higher probability at HTF SD zones
- The ERC candle needs to engulf (close above) the previous candle's candle body, shadows (tails and wicks are not needed, but if that happens as well, better). Opposite for bearish engulfing
- More than 1 candle can be engulfed, 1 is the minimum requirement
- This pattern shows weakness for that instrument at that area, moreover IF we are at HTF SD or SR zones

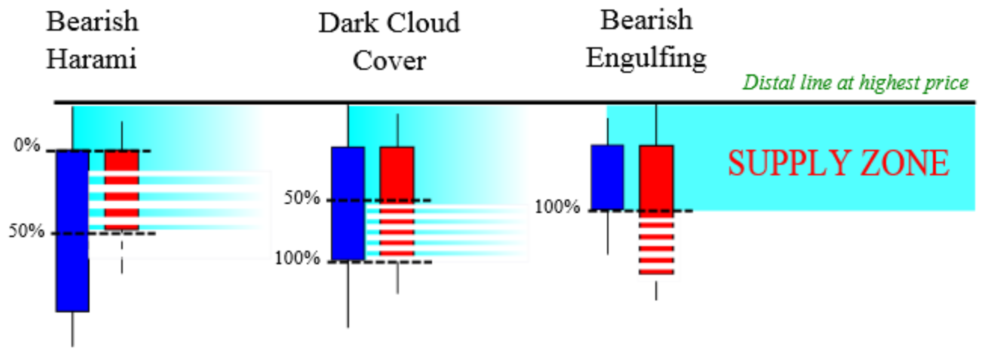
We do have 2 types of engulfing patterns:

- **Bullish** engulfing patterns
- **Bearish** engulfing patterns

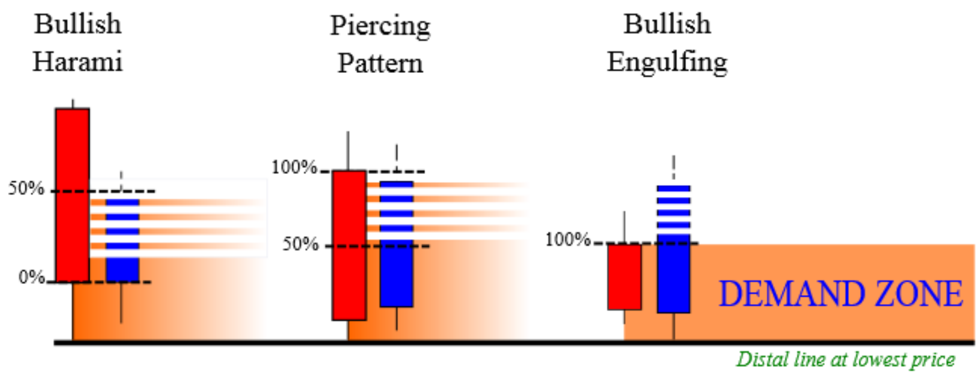
Engulfing patterns are very common on CP (Continuation Patterns), as well as marubozu candles (tight non-50% bases with no wicks or almost no wicks)

Basic candlestick patterns and zones

Bearish patterns form supply zone:



Bullish patterns form demand zone:



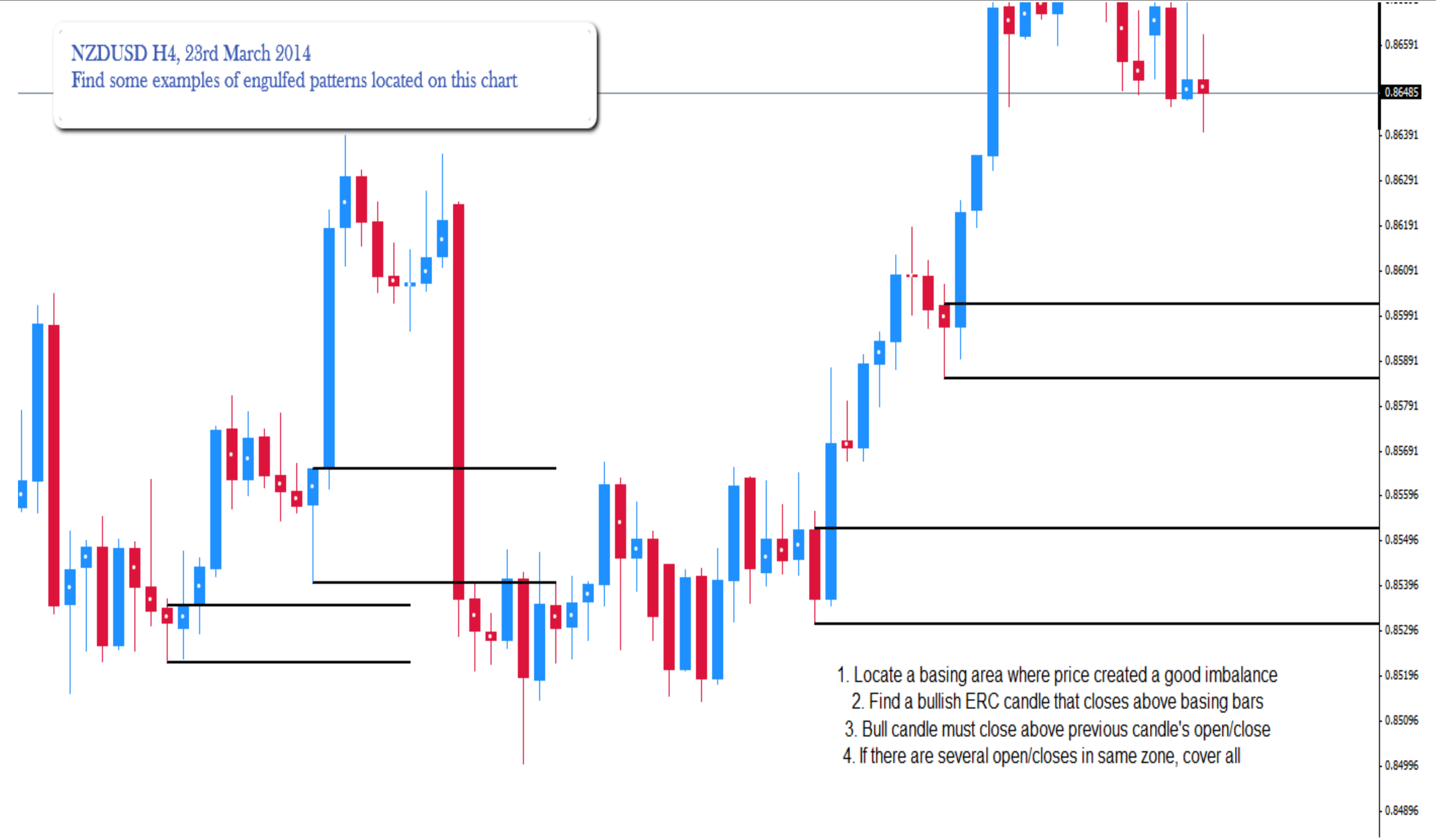
HOW TO DRAW ENGULFING PATTERNS IN A MECHANICAL WAY

1. Locate a basing area where price created a good imbalance
2. Find a bullish ERC candle that closes above basing bars
3. Bullish candle must close above previous candle's open/close (candle's body)
4. If there are several open/closes in same zone, cover all of those
5. If one of those basing candles is at a different "height", above/below the previous basing engulfed candle, skip them and only take into account the ones in the same level
6. The proximal line will be right at the open/close of the first candle engulf or further back in time if there is no candle closing above/below the first engulfed candle's range
7. The distal line will be at the lowest low of the basing candles
8. The candle engulfed can be both a 50% candle and a non-50% candle

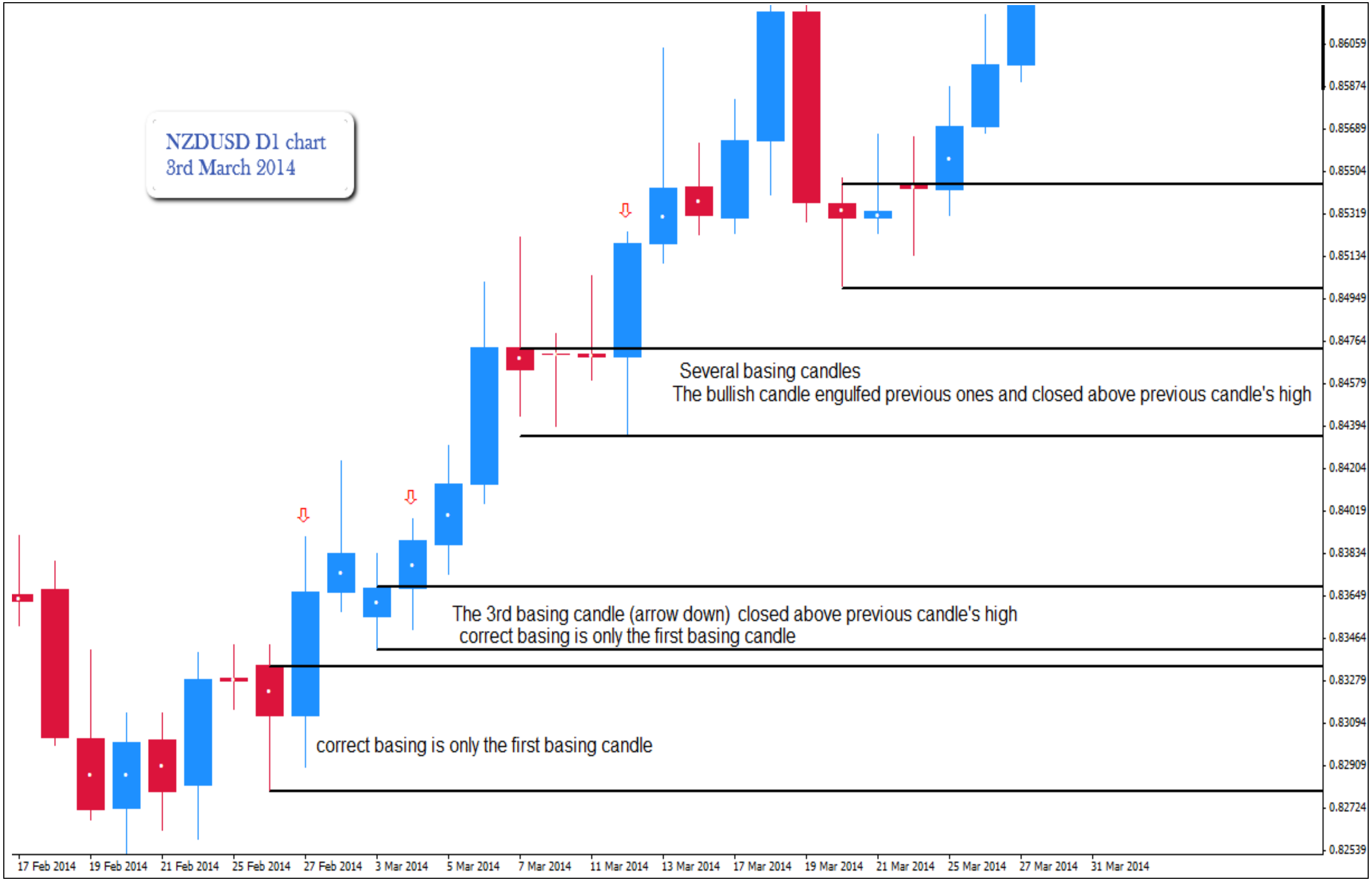
Once you find a basing candle or engulfing candle closing above/below previous candle's high/low (depending whether it's demand or supply), we'll stop looking for bases and draw our proximal line right at the previous basing zones. Once price breaks and closes away from the basing area, the new basing candle is not considered as part of the base since it's at a different height.

WHERE TO USE THESE PATTERNS

1. At higher timeframe supply and demand zones
2. At flip zones, previous SR/SD zones being revisited. CPs work great at these zones as well
3. Don't use these patterns in the middle of nowhere, these patterns are good reversal candlestick patterns but they need to be at higher timeframe supply and demand zones in order to have high probability



This example shows how a candle closing above previous engulfing's candle high should prevent you from drawing a level wider


NZDUSD D1 chart
3rd March 2014
Several basing candles
The bullish candle engulfed previous ones and closed above previous candle's high
The 3rd basing candle (arrow down) closed above previous candle's high
correct basing is only the first basing candle
correct basing is only the first basing candle
0.86059
0.85874
0.85689
0.85504
0.85319
0.85134
0.84949
0.84764
0.84579
0.84394
0.84204
0.84019
0.83834
0.83649
0.83464
0.83279
0.83094
0.82909
0.82724
0.82539
17 Feb 2014
19 Feb 2014
21 Feb 2014
25 Feb 2014
27 Feb 2014
3 Mar 2014
5 Mar 2014
7 Mar 2014
11 Mar 2014
13 Mar 2014
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21 Mar 2014
25 Mar 2014
27 Mar 2014
31 Mar 2014

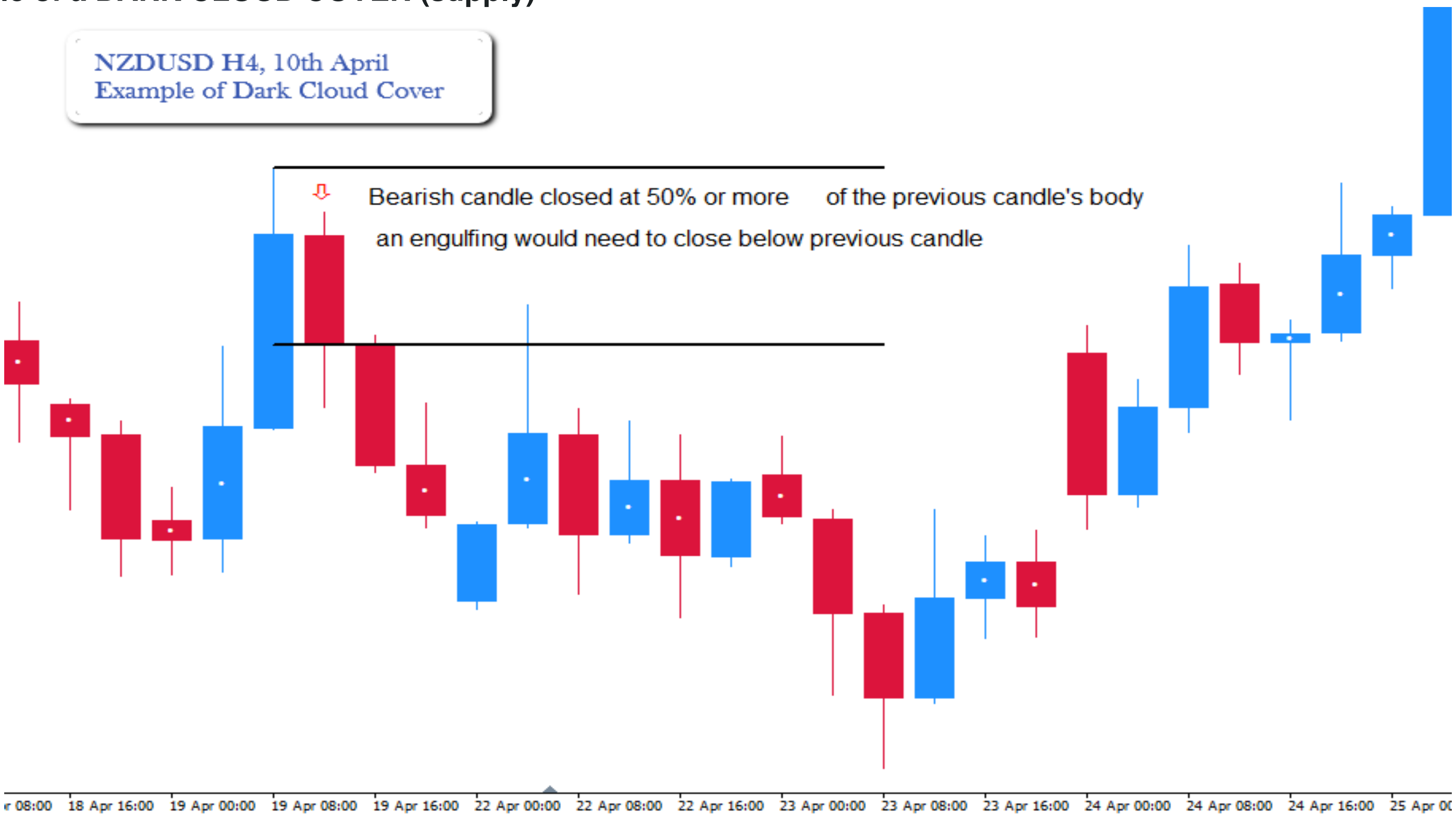
DARK CLOUD COVER AND PIERCING PATTERN

These two patterns are similar to the engulfing patterns but the candle never closes above/below the previous candle's body.

The Piercing Pattern = Dark Cloud Cover

- **Piercing pattern** = demand reversal pattern
- **Dark Cloud Cover** = supply reversal pattern

Example of a DARK CLOUD COVER (supply)



The Curve: buy low, sell high. Supply and Demand in Control

THE CURVE

By this time, you will have possible heard and read a lot about the Curve. Some use other terms like "Altitude" or "The Range". I've kept the Curve because I like it and it also makes sense to me. **The Curve term is used to define how low or high high price is, which is all supply and demand is about**. The Curve is a concept that many have problems with, maybe because there are different curves depending on which type of trader you are, and they tend to be mixed up.

If you are a position type of trader, you should not worry about the curve or trend on the lower timeframes, not even the D1 curve/trend. The Weekly and Monthly curve and tend will be the ones you should really worry about. But if you are a swing or intraday trader, the D1 curve and direction is very important, don't try to go against it unless price is over-extended and a higher timeframe zone than the D1 is in control.

Think of the Curve as a brick-wall that has been built right between your entry price and your profit. You don't want to be the one to break that brick wall, in fact, none of us possibly have the emotional control and enough money to break those brick walls or SD zones in control.

So what is the wisest and higher probability thing to do in such an scenario where price is 80% high in the D1 curve? Just wait... Wait for the D1 supply in control to be taken out, and then trade accordingly, else go in the opposite direction with the new trend or reversal if the ever happen. The action to take will greatly depend on the multiple timeframe analysis that you have done. Why going short on a D1 supply? Because it's supply? No, because the D1 supply might be an excellent nested supply zone within a Weekly or Monthly supply with the MN and WK trends down... You want to keep on buying that high? I am sure you wouldn't want to do that. This is why multiple timeframe analysis and having a bird view of the bigger picture will help you to take high odds trades.

WHAT IS SUPPLY AND DEMAND IN CONTROL?

Now that we know a bit more about the Curve, there is another concept we need to take care of: supply and demand in control.

Freshness is irrelevant to define if a zone is in control. A D1 demand in control can be fresh, not fresh or used-up**.** Obviously, the more times the D1 DZ in control is tested the less we expect it to hold - except when we are trading in consolidated price action (Trading Range).

You can't, you shouldn't assume or predict that you can sell that low in the D1 curve on the assumption that it will be broken. The market will show you when that zone has been broken, you don't know what the market can do, and the only way to know is by letting the market to show you. Once the zone is solidly broken, you will be now, and you will be probably looking to go short if that ever happens

Don't trade against a zone in control until it's been clearly solidly broken, we want as much odds as possible in our favour. A zone can hold 1, 2, 3, or 10 pullbacks. The wisest thing to do is to trade when it's solidly broken.

Price normally travels from one zone to its opposing zone on the timeframe where the imbalances have been detected. The bigger the TF is in control, the bigger the movement that will happen in lower timeframes. For instance, if WK SZ is in control, price will normally travel from WK SZ to opposing WK DZ.

A zone is in control as soon as price retests/hits the zone, as simple as that. Don't try to go against that zone on lower timeframes unless that zone is used-up or it's taken out

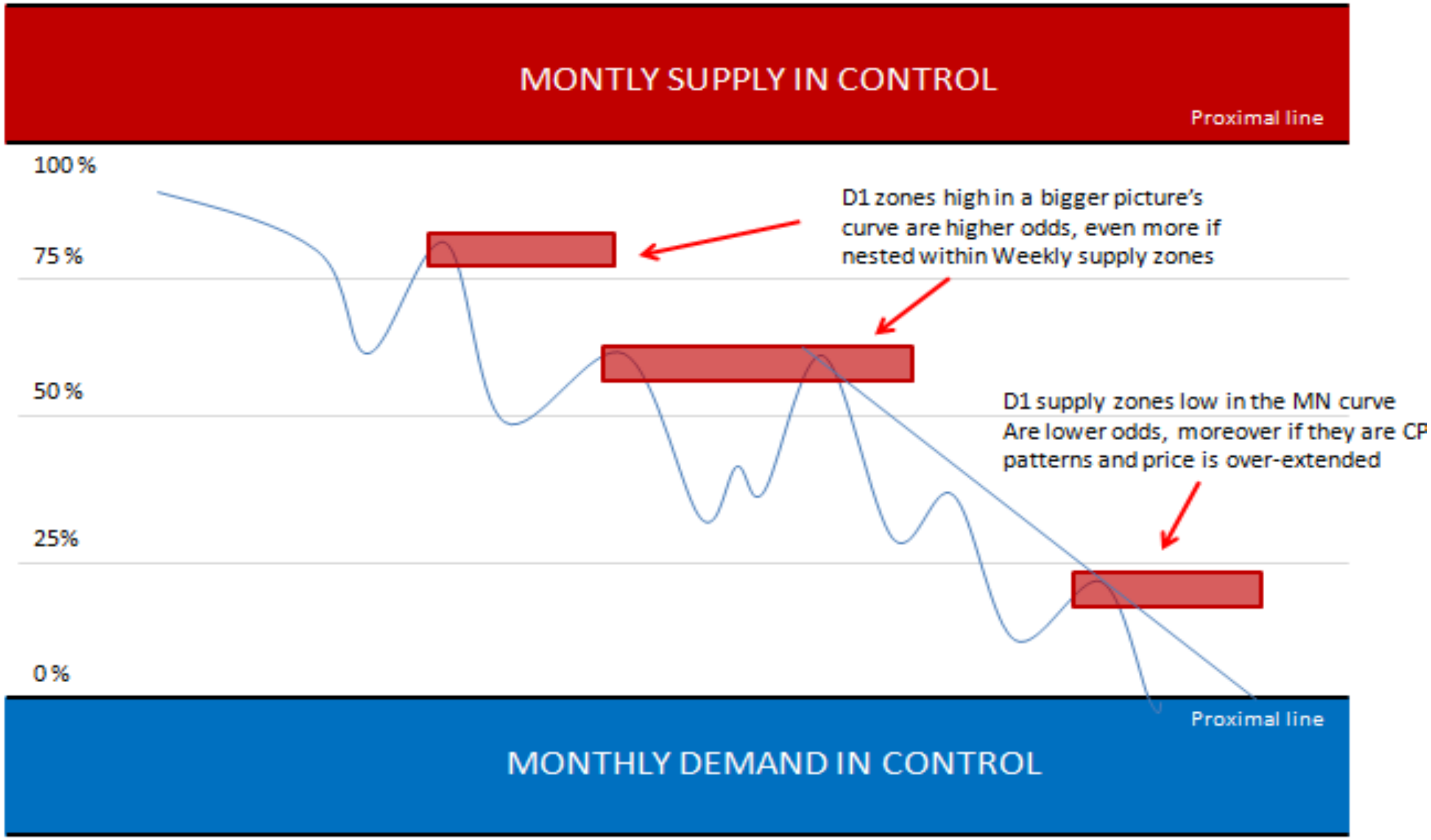
As a rule of thumb, use these curve timeframes when trading:

- **Intraday**: D1 curve
- **Swing**: D1, Weekly and Monthly curves, as per the realignment rules
- **Position**: Weekly and Monthly curves

*When trading Swing and Position we use multiple curves, it's advisable that you read and understand the realignment rules in order to know what to do with each zone that comes in your way. **It's very important to locate and draw the levels correctly, but even more important to assess how high or low that level is on its Curve timeframe**.*

The previous statement is key because a D1 supply zone low in the Weekly curve and bouncing from a WK area of demand should not be a "big problem" because the D1 supply is low in the Weekly curve. If price was high in the Weekly curve and we had a good D1 supply zone, going long would not be a good idea because the D1 supply is located way too high in a bigger timeframe's curve.

HIGH or LOW A ZONE IS IN ITS CURVE TIMEFRAME ?



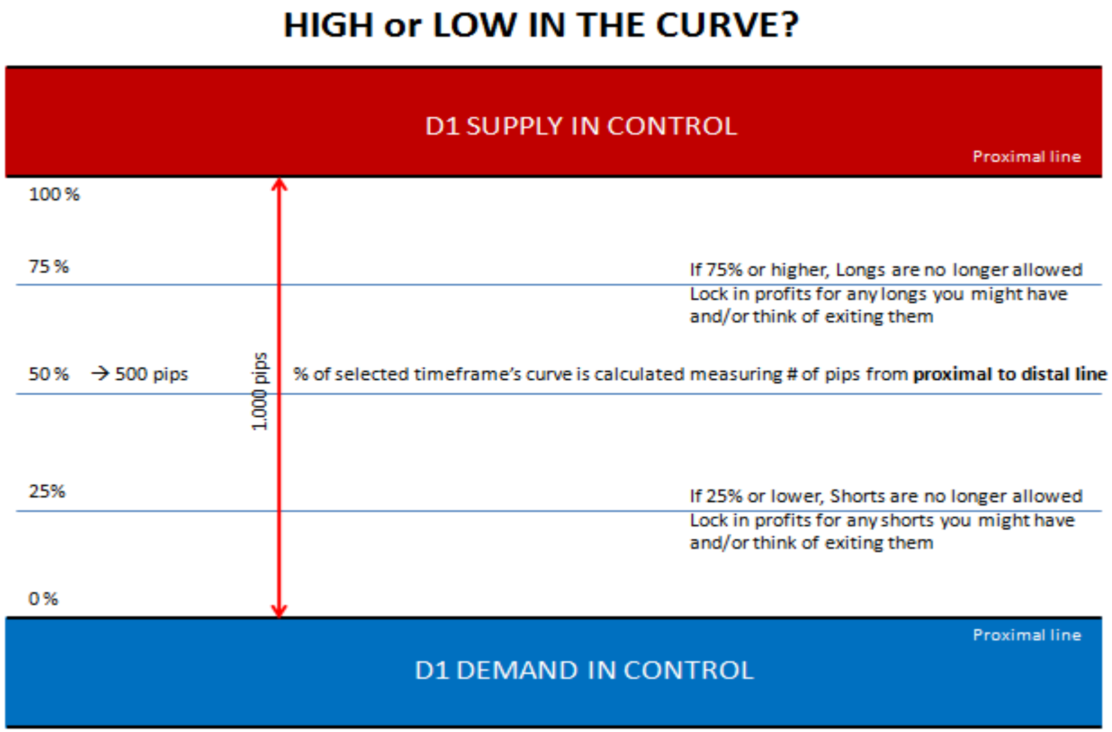
Some facts about zones in control and the Curve:

1. **A zone is in control as long as the trend (or trendline) on that timeframe is still valid.** Once the trend is broken, CP patterns will no longer be in control, an extreme valley/peak that was the origin of the imbalance on that TF will be the zone in control
2. **Bigger timeframes controlling supply and demand are:** the Daily, Weekly and Monthly charts. These are the only timeframes we will use to assess when an bigger timeframe SD zone is in control
3. **Every timeframe has an area of supply and demand in control**, that is, once price reaches that area, sellers/buyers (the zone) will most likely be in control and price will probably have some reaction, be it weak or strong. **We're always talking about odds, we can't assume that something is going to happen.** If the zone is fresh and good, price will most likely react quite fast off it and no kind of confirmation will work. If the zone has been touched once or more, then it will probably not bounce that fast or even take the zone out
4. **Don't diddle in the middle**. If the zones you've detected are in the middle of the curve, price might probably go either way, skip those levels to avoid unnecessary losses, or wait for a momentum to either side to trade with the D1 trend and momentum. Apply Multiple Timeframe analysis in order to decide if the level in the middle of the curve could have good odds or not
5. **The higher the timeframe, the bigger its reliability**. That is, if we have a Weekly or Monthly supply zone, even if that zone is not fresh and has been hit 5 times, it's still a higher timeframe zone, they hold much better than a M15 or a H1 zone. Why? Because the smart money, the institutions, the big fishes, will be looking to position themselves on higher timeframes. They will probably not be looking at M5 and M15 to fill orders worth 100 million euros on the EURUSD. Maybe some might, but most likely they just don't care much about lower timeframes, moving averages, CCI, RSI or MACD, most of them are not scalpers but swing and position traders, so why should they care about filing orders in the middle of nowhere? For higher odds, they don't diddle in the middle. They are market makers and they know what you are doing, remember. They buy low and sell high in the SD curve
6. **Trade with the trend for higher probability**. The trend is not a straight line, SD levels will work in both directions at any given timeframe, with the trend and counter trend, but the higher odds is to go with the trend until it ends. But where will it end? Normally near or at a higher timeframe supply/demand area. **Avoid unnecessary losses trading against the trend in the middle of the curve, you will increase your % success quite a lot if you do it that way**. You will miss many trades for sure, but you will filter out many losses as well. You decide, well, your emotions will decide, and that's not good So behave like a robot.
7. **Decide if you want to be a hero by trading counter trend high/middle/low in the curve, or you just want to go the *safe* way by buying the dips and selling the pullbacks with the current higher timeframe**
8. **Buy low in the curve. Sell high in the curve**

HOW HIGH IS HIGH IN THE CURVE? HOW LOW IS LOW?

This is a question you must have asked yourself many times. Let me answer you in a very specific manner. It all depends on which Higher Timeframe you are using, but most are the same really

- Daily/Weekly: 0-25 % is low, 75-100% is high
- Monthly: 0-15% is low, 85-100% is high



The percentages mentioned above are just guidelines, what that means is that if we're approaching a higher timeframe SD zone, we should not be thinking of adding more positions to our initial trade, it's too risky. It just means that price is too close to the area of supply or demand in control in a bigger timeframe, going against such a zone or adding more lots to your existing positions high in the curve is not a good idea if you want to become consistently profitable. Wait for a bigger pullback to a higher timeframe, and trade with the trend.

Why a lower % for the Monthly timeframe?
The only reason is because many monthly zones can be so wide that a simple 10% can be 200 pips

What do these percentages mean? It means that if you are long and you are 90% high in the Weekly curve into a fresh area of supply, adding to your existing long position is not a good idea, even if you are a position type of trader.

What should I do then in such a scenario?

- Manage your SL tighter and lock in profits
- Prepare to exit your long when you see signals that price might be reversing or WK supply has been hit. Maybe a fresh and original D1 area of supply nested within the Weekly supply zone is about to be hit. That's a zone where you might be thinking of closing your position fully
- If the Weekly supply is good and strong and you start seeing reversal patterns, brand new supply zones on H4 and D1, it's probably time to short and go with the Weekly supply now in control

Two very important statements about Supply and Demand in control:

1. **A higher high does not necessarily mean a new demand area was created**
2. A higher high could be "just that", that rally could be the final thrust to hit a strong supply area on higher timeframes
3. **A lower low does not necessarily mean a new supply area was created**
4. A lower low could be "just that", that drop could be the final thrust to hit a strong demand area on higher timeframes

Temporary D1 CPs (Continuation patterns) in control
CPs will be used to calculate the curve as long as it's on the side of the current trend. That is, if we are in a MN downtrend, CPs of supply will be part of the curve, but CPs of demand will not be used as part of the curve. When this scenario happens, we'll lean on the extremes to calculate the curve.

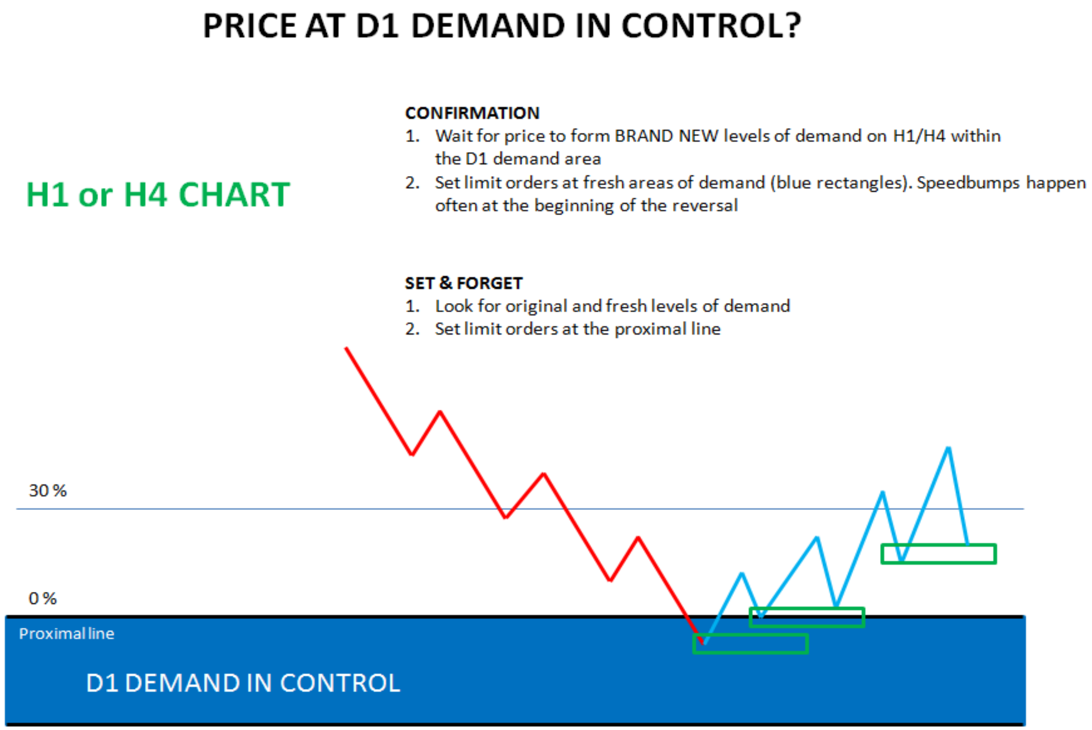
How do we know if it's now demand in control and not supply?

- If valid demand has been hit on any specific TF and price is holding it, then demand is in control
- If valid supply has been hit on any specific TF and price is holding it, then supply is in control

Which levels are supply or demand in control?

- A CP pattern is considered in control ONLY IF the Trendline (Trend) is intact. Once the TL is broken, CPs are can no longer be in control, we will have to lean on the valleys and peaks as areas in control
- There might be temporary CP patterns that control the curve, but the key word here is "temporary"... WHILE price is trending on the TF where the CP is detected... ELSE if trend is broken, the CP will NOT be in control of the curve

The screenshot below shows an scenario where the bigger timeframes are in an uptrend, price reaches a D1 area in control which is not fresh, so we must wait for a confirmation on our entry timeframe (H4) because we continue to go long. Many times we won't have such a confirmation or a WoW long trade on H4 or even D1, price will just rally without giving us any opportunity to trade. But that's trading, you can't chase the trades, they have to come to you, SD zones act like magnets of price.... Patiently wait for the best opportunities, it will pay off in the long term.



How to define the trend? UPTREND versus DOWNTREND

WHAT DEFINES AN UPTREND AND A DOWNTREND AT ANY GIVEN TIMEFRAME?

Each timeframe can have a different trend. **Price is fractal.** Fractal meaning that there are structures within structures, the same patterns repeat all over on all timeframes when we drill down a candle on any timeframe.

How can I trade if each TF trend is different? Isn't that a mess? It may look like a mess, this is why we need to make our top-down multiple timeframe analysis so that we aligned as many timeframes as possible in the direction of the bigger picture's trend to pinpoint our entry TF and our supply/demand zone correctly. We'll use SD imbalances and TLs to define our trend.

Since we are primarily working with supply and demand imbalances, making a higher high or a lower low does not necessarily mean that the existing trend is still valid and we should trade all levels in that direction.

1. ▲ UPTREND ▲
    - **Demand areas are respected, supply areas are taken out. Ascending TL should also be respected**
    - *A higher high SHOULD remove previous supply to validate the demand zone*
    - **A new ascending TL plus at least 1 opposing zone taken out**

You should always ask yourself: what has this imbalance and potential demand zone accomplished? Has it taken out an opposing supply zone?

2. ▼ DOWNTREND ▼
    - **Supply areas respected, demand areas taken out. Descending TL should also be respected**
    - *A lower low SHOULD remove previous demand to validate the supply zone*
    - **A new descending TL plus at least 1 opposing zone taken out**

You should always ask yourself: what has this imbalance and potential supply zone accomplished? Has it taken out an opposing demand zone?

3. ◂▸ **CONSOLIDATION** ◂▸

- **Bullish and bearish consolidation:** consolidation happens in an uptrend or an downtrend **when the trendline is broken** or **one opposing zone is taken out**. When this happens we are not allowed to trade in the direction of the previous trendline until price hits 1 HTF zone or it breaks higher/lower than previous high/low created by the previous valid trendline as described in the realignment/sequence rules
- **The zone that is taken out is indifferent, it can be either a valley/peak or a CP**

Bearish consolidation

- Happens when a descending TL is broken or 1 supply zone is taken out, meaning price could start rallying and making a bigger retracement before dropping again as described in the realignment/sequence rules
- Having a descending TL broken does not mean we have a change of the trend, we will also need to take out at least one opposing D1 SZ

Bullish consolidation

- Happens when an ascending TL is broken or 1 demand zone is taken out, meaning price could start dropping and making a bigger retracement before rallying again as described in the realignment/sequence rules
- Having an ascending TL broken does not mean we have a change of the trend, we will also need to take out at least one opposing D1 DZ

4. **NEW TREND:**

- A new trend is formed when:
    - **A new trendline in the opposite direction can be drawn AND 1 opposing zone has been taken out.** For example, Ascending TL is broken, price drops and removes at least 1 opposing DZ and we now have a new descending TL
    - **2 zones removed.** This event will have normally created 2 opposing zones and a TL

5. **COUNTER TREND**
    - Going against the trend at any given timeframe equals to counter-trend. We'll almost always have a timeframe that goes against another timeframe, this is where multiple timeframe analysis and the realignment and sequence concepts will help you
    - Counter trend is lower probability than trend trading but there are rules you can use to trade it, check out the WoW trades (trendline breaks) for more information on counter-trend

6. **OVER-EXTENSION**
    - We consider to have an over-extension when we clearly see that price has been moving in one direction non-stop creating 3 or more CP patterns
    - There are times when the over-extension will also be available without 3 or more CP patterns, we might have price rallying indefinitely creating a series on CPs and valleys/peaks. We need to analyze each case in particular. When this happens the recommendation is to keep on trading in the bigger picture's direction and using the realignment and sequence rules, once you get a loss on a clear level, you should stop going in that direction until price realigns or you get a WoW confirmation
    - There is no rule that will turn a CP into a valley/peak or viceversa. The structure of an imbalance is not changed once it's been created, price action and closed candles cannot be changed (it's not a lagging indicator), it's in fact the only non-lagging indicator available to us
    - Exception with important events: if the level that is part of that over-extension has caused an important event, removing an important HTF zone, breaking higher a strong support/resistance area, the over-extension can be ignored and continue trading in the big picture's direction

You can use trendlines in order to validate how over-extended a timeframe use, there are rules to know price is too high or too low or when we are over-extended, there are even rules to locate a potential reversal after a Trendline Break, the WoW trade.

THAT SIMPLE. Just look at your D1 timeframe or any other timeframe and see what is happening to the SD areas, THEN decide which direction to trade. Once you know what is the direction of that TF, locate lower timeframe SD areas with a strong departure, little time at the level, fresh zones, and a minimum of 3:1 profit margin.

What tells us if a downtrend or an uptrend has started to change or even consider there might be a reversal?
Since we're trading Supply and Demand, once the supply or demand in control is taken out, that currency pair's timeframe will be showing weakness.

What happens if we are in an uptrend and 1 demand zone has been removed? Does it mean we have a downtrend?
No, the removal of a single demand zone DOES NOT necessarily mean the trend has changed, it just means that price might make a bigger retracement into 1 TF higher than the one where that zone has been removed. It means that the market may be changing its dynamics and price might enter in a consolidation stage before it continues its previous trend.

Once we do have the break of at least 2 levels on any given TF, and we have the possibility of drawing a TL, we'll be in a position to say that the uptrend is over and we now have a downtrend.

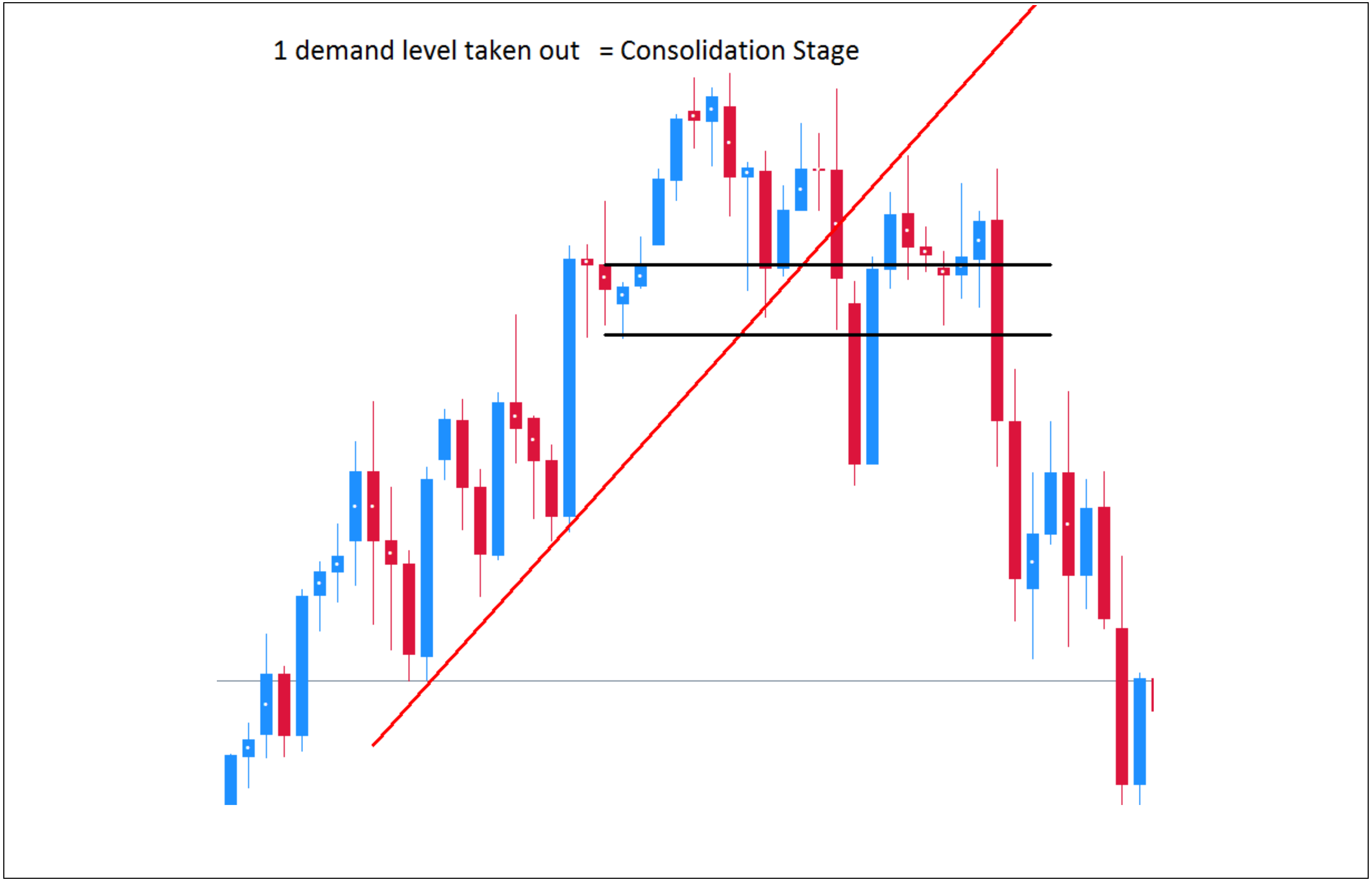
We will consider a trend at any given timeframe could be starting to change IF the trendline that connected the last 2 obvious valleys (uptrend) or peaks (downtrend) has been broken.

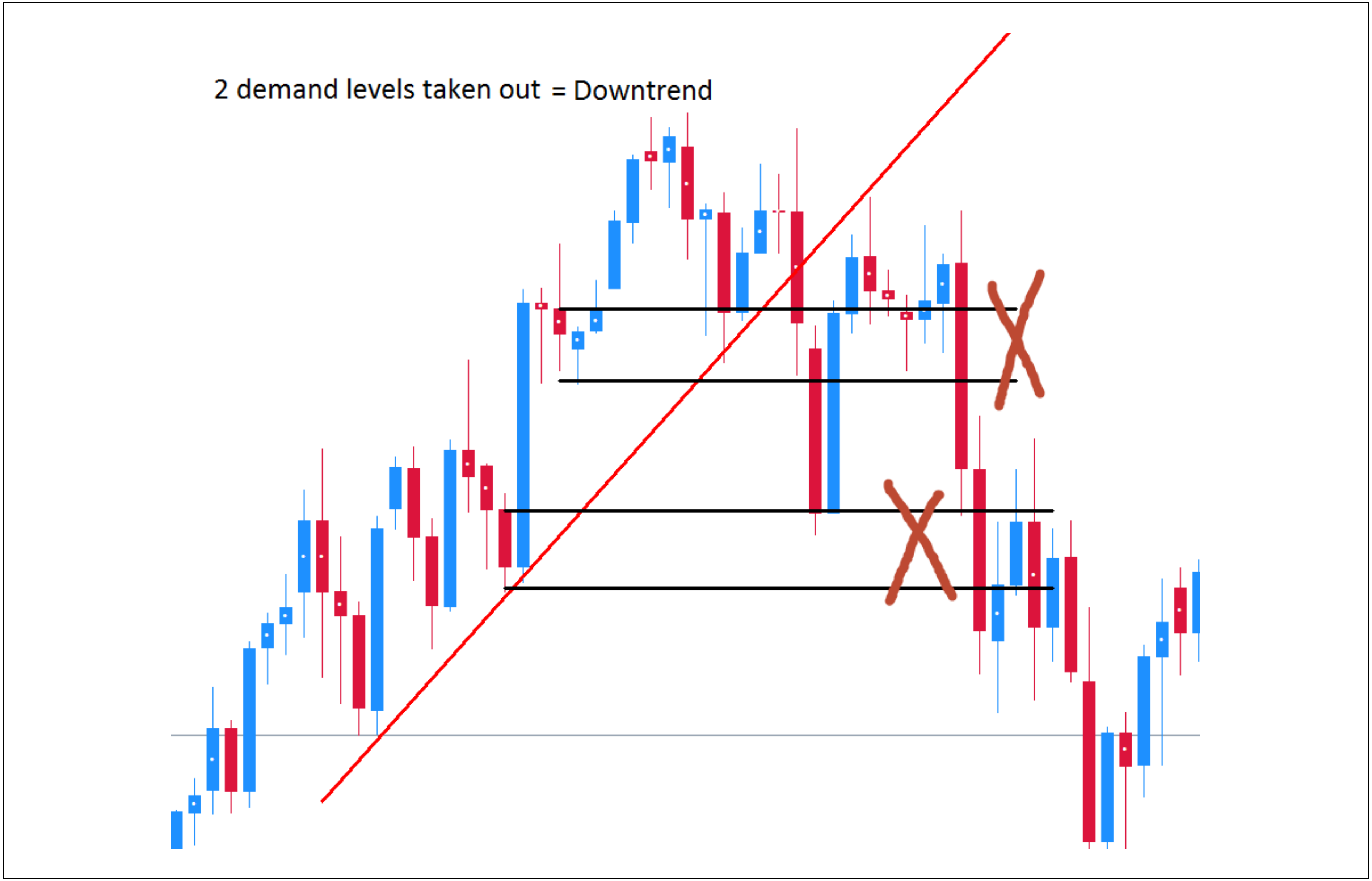
- If 2 SD zones have been taken out, then we will most likely have the possibility of drawing a brand new trendline for our new direction, thus looking for trades in this new direction, only if there is enough room to the opposing higher timeframe SD area and we are not too high/low in the curve
- The break of a trendline does not necessarily mean that retest of a SD zone near or at the retest of the broken trendline will be valid. We need to make sure that price has arrived or is very close to a higher timeframe area, ELSE we'll have to make for a brand new direction to the opposite side
- Do not trade the break of a trendline just because it's just been broken, we need to assess location in the curve

***We are not using any lagging indicator to assess the trend, since the only non-lagging indicator I know of is Price itself*.**

- The following pictures show you what an uptrend, a downtrend and a consolidation stage look like in any given instrument.
- Having a break of Trendline does not mean we have an opposing trend, the dynamics of the market may be changing, price is losing steam and we enter in a potential consolidation stage
- *These pictures belong to the USDJPY D1 chart December 2013*




1 demand level taken out = Consolidation Stage


2 demand levels taken out = Downtrend



2 demand levels taken out = Downtrend
2 peaks with a descending TL = Downtrend
+ 1 opposing zone removed
1st supply zone that removed 1 demand
2nd supply zone, removed 2nd demand
1st demand removed
2nd demand removed

IMPULSES versus CORRECTIONS

Before going deeper understanding how impulses and corrections make a trend, let me remind you of this:

***Each timeframe has its own trend**, this is why it's mandatory that we make our multiple timeframe top down analysis in order to decide in which trend direction we want to trade. The bigger the timeframe, the higher its reliability.*

A trend can be divided in two different parts:

- **Impulses**
  - The impulses are the moves in the direction of the bigger picture trend, and are what we should be trading.

- **Corrections**
  - The corrections can be seen as the *pauses* in the trend, and may move sideways or opposite to the main trend. Corrections allows us the opportunity to enter into the direction of the main trend before the new impulse happens

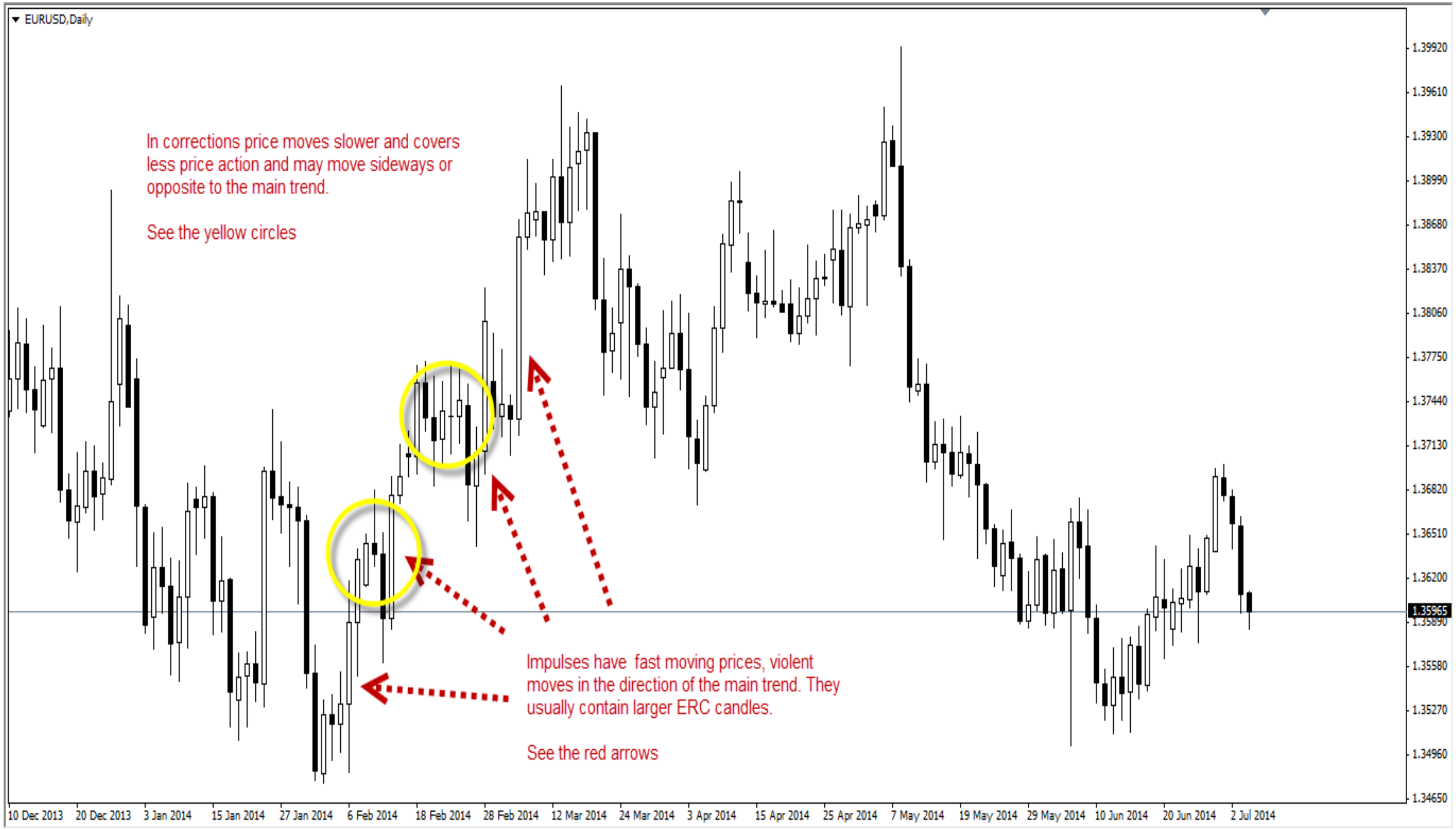
Anatomy of an Impulse:

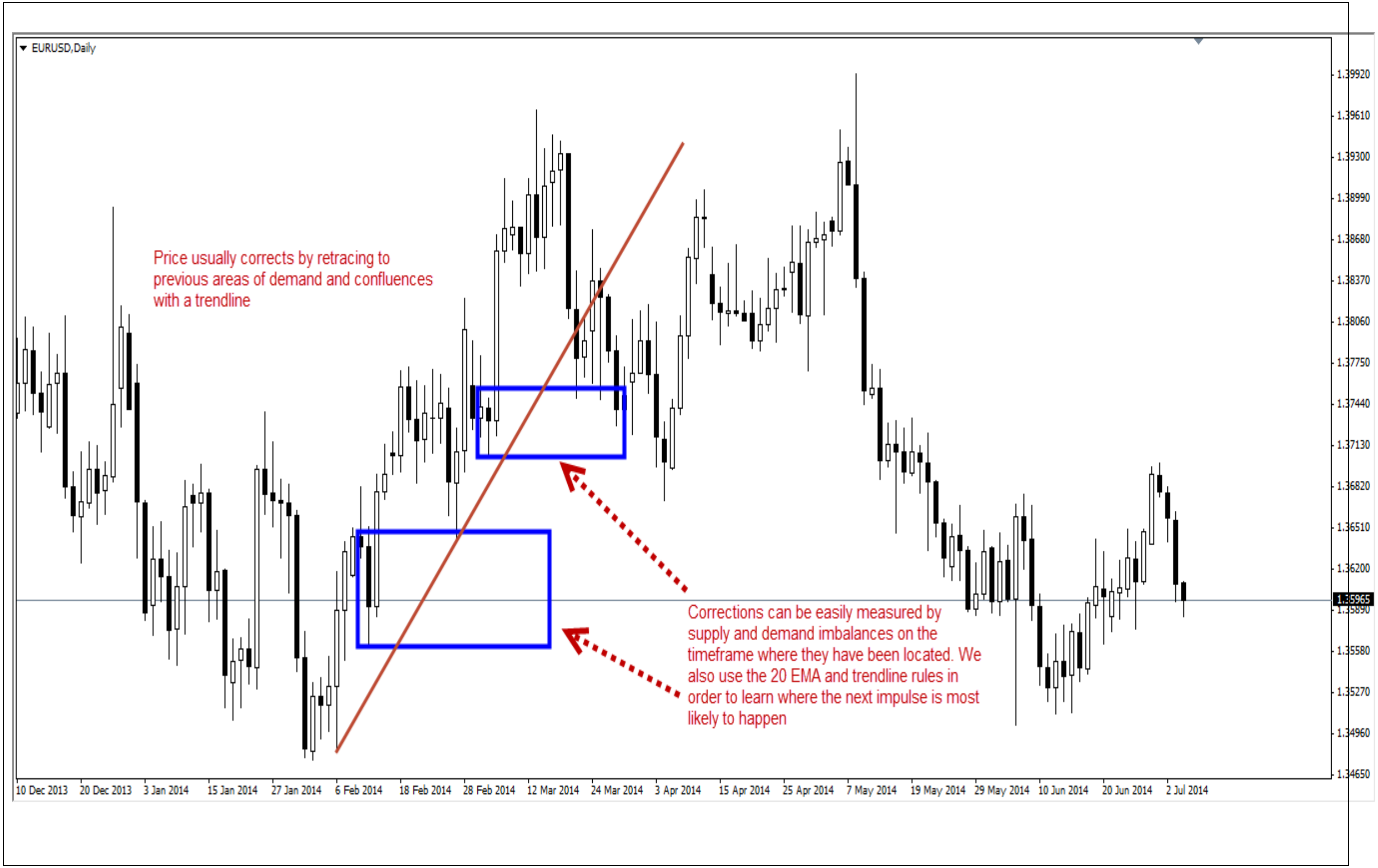
- **Fast moving prices**. Violent moves that cover large price moves in a short period of time
- **ERC candles,** they tend to have larger candles, even gaps in the trend direction
- If seen in the opposite direction of the main trend, it may be signify the previous trend might be changing
- Impulses in the opposite direction to the main trend *usually* happen when a bigger and opposing zone is reached

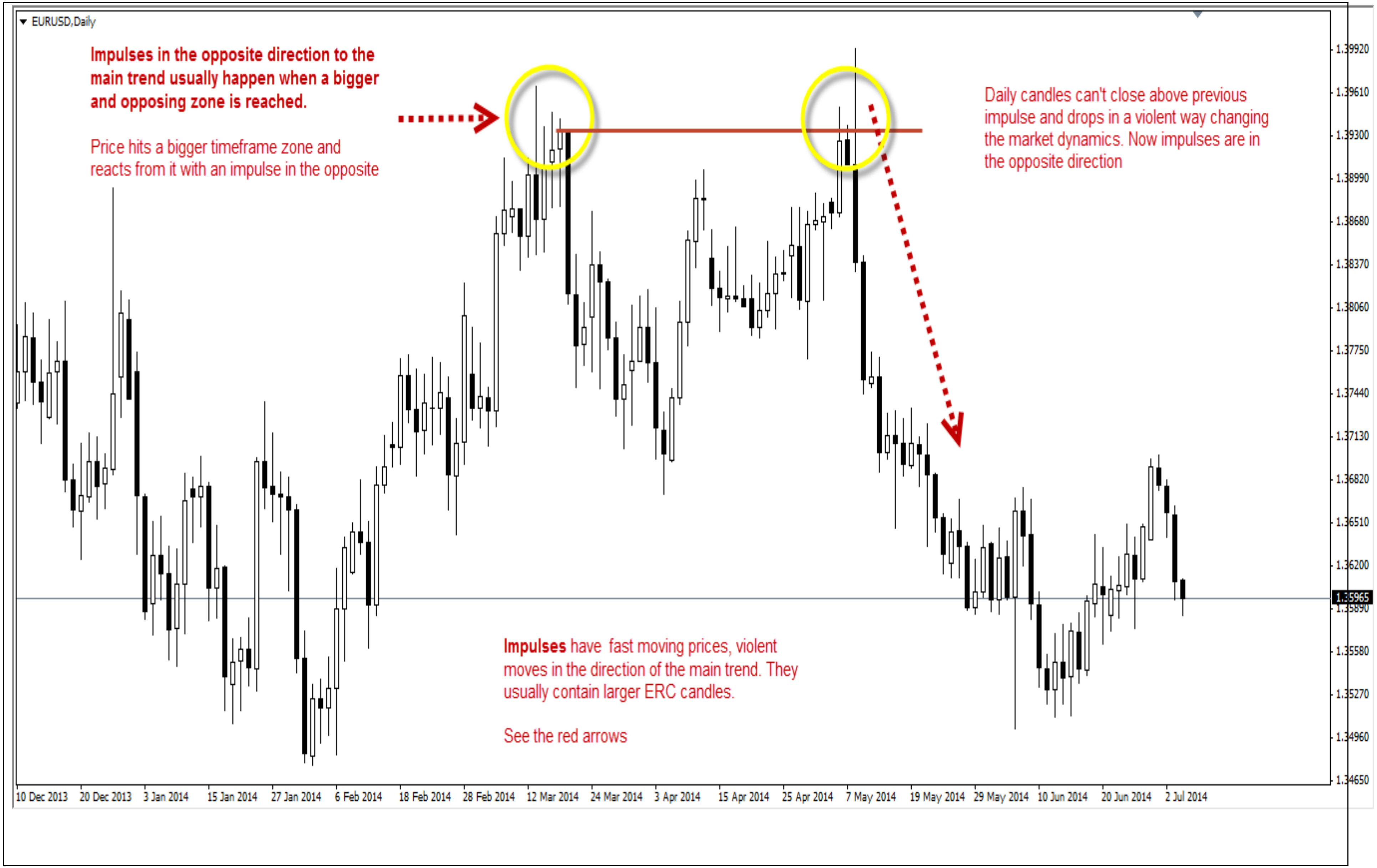
Anatomy of an correction:

- **Price moves slower and covers less price action**. Price takes much more time to cover the same price action covered by an impulse
- **Riskier to trade**, you will probably be on the wrong side of the new impulse
- Corrections can be *easily* measured by supply and demand imbalances on the timeframe where they have been located. 20 EMA and trendline rules can be used in order to learn where the next impulse is most likely to happen. Others use Fibonacci retracements and different tools, these are not part of Set & Forget rules

Charts below belong to EURUSD D1 timeframe, first months of 2014




EURUSD,Daily
Price usually corrects by retracing to previous areas of demand and confluences with a trendline
Corrections can be easily measured by supply and demand imbalances on the timeframe where they have been located. We also use the 20 EMA and trendline rules in order to learn where the next impulse is most likely to happen
1.39920
1.39610
1.39300
1.38990
1.38680
1.38370
1.38060
1.37750
1.37440
1.37130
1.36820
1.36510
1.36200
1.35965
1.35580
1.35270
1.34960
1.34650
10 Dec 2013
20 Dec 2013
3 Jan 2014
15 Jan 2014
27 Jan 2014
6 Feb 2014
18 Feb 2014
28 Feb 2014
12 Mar 2014
24 Mar 2014
3 Apr 2014
15 Apr 2014
25 Apr 2014
7 May 2014
19 May 2014
29 May 2014
10 Jun 2014
20 Jun 2014
2 Jul 2014


EURUSD,Daily
Impulses in the opposite direction to the main trend usually happen when a bigger and opposing zone is reached.
Price hits a bigger timeframe zone and reacts from it with an impulse in the opposite
Daily candles can't close above previous impulse and drops in a violent way changing the market dynamics. Now impulses are in the opposite direction
Impulses have fast moving prices, violent moves in the direction of the main trend. They usually contain larger ERC candles.
See the red arrows
10 Dec 2013
20 Dec 2013
3 Jan 2014
15 Jan 2014
27 Jan 2014
6 Feb 2014
18 Feb 2014
28 Feb 2014
12 Mar 2014
24 Mar 2014
3 Apr 2014
15 Apr 2014
25 Apr 2014
7 May 2014
19 May 2014
29 May 2014
10 Jun 2014
20 Jun 2014
2 Jul 2014

How to validate and score a level

The only reason why price moves in any and all markets is because of an imbalance in supply and demand. The greater the imbalance, the greater the move.

Price in any market turns at price levels where demand and supply are out of balance. We should be able to consistently identify a demand and supply imbalance which means we'll know where banks and institutions are buying and selling in a market. By quantifying these institutional zones on a price chart, you can identify market turns and market moves in advance with a very high degree of accuracy.

- The demand being greater than the supply causes buyers to outbid each other. At some point, the buyers have exhausted themselves and everyone who wanted to buy has already done so, or is prevented from buying due to the high cost
- Prices start to fall as mass fear takes control. Most traders will start to panic when the price starts moving against them or their stops will be triggered. If there was a lot of buying pressure and large bullish candles going into the supply level, there will be few buyers to stop the collapse and catch the supply being dumped onto the markets from stop orders being triggered
- Compare this with a gradual climb with smaller bullish candles and some small pullbacks to shake out weak traders. As prices drops from a supply level in this scenario, they will be met with less stop orders and more buying pressure since the demand was not exhausted on the way up

A strong move in price away from a level indicates that not all orders were filled. For example, at the origin of a demand level, there are not enough sell orders to fulfill the total amount of buy orders. This is why price moves away in such a strong fashion. When price returns to these levels, the novice traders (those who don't know about supply and demand) are selling into an area where institutions (professionals) have their buy orders. Institutions and professionals buy to the novices, and then there are no more sell orders so price must rise again. The opposite holds true for supply levels. In both cases, the novice traders provide the liquidity the institutions need to get their orders out in the market.

The best opportunities are where we can buy at the cheapest price possible (wholesale prices) and sell and the most expensive price possible (retail prices). This is the same in any market. Supply and demand levels on a price chart show all these levels, you just have to learn how to draw them.

Open a price chart, you will see a multitude of supply and demand levels on every timeframe. That doesn't mean we are interested in trading all of them. Certain levels are more likely to hold than others, you need to have a rules based mechanical methodology as well as making a top down multiple timeframe analysis before you choose the levels you want to trade.

These are some common factors to consider when choosing levels to trade from are listed below:

1. **DEPARTURE (strength of the move)**
   - This is the way in which price left the level. Ideally quickly with large ERC candles. We need at least a 2:1 imbalance in order to validate a level, as well as at least 1 full OHCL candle consolidating away from the basing of the level
   - There are times where this minimum 2:1 could be tweaked and used a smaller one, mainly at fresh and important SD zones where there has been a great imbalance in the past. This is a more advanced type of entry which is not covered in the lessons because it would confuse you and it's under test
2. **PROFIT MARGIN.** A decent risk/reward ratio will help to ensure you have enough risk/reward for price to move to your take profit. We want a minimum of 3:1 profit margin to validate a level
3. **FRESHNESS OF A ZONE (# of retests).** Is the level fresh and/or original? Has it been tested more than once? Fresh levels are best for trending markets, the fresher the level the higher the probabilities
4. **TIME SPENT AT LEVEL (BASING).** The less time prices spends at a level, the better.
   - This indicates a greater supply and demand imbalance
   - No more than 6 candles are allowed as a base, more than that will negate the level
   - A wicky base will negate the level, we need tight narrow candle bases, not wide and wicky candles
   - A WK zone can be composed of many D1 candles, a D1 zone of many H4 candles... that would imply too many trading in the zone in lower timeframes, isn't it?
     - It's true and NOT true at the same time. If you see many H4 candles in a tight range, more than 5-6 candles but they are a D1 zone then the level is valid on the Daily but not on H4. The same applies to bigger and smaller timeframes
     - You will see that MANY times, this is why you need to do a top down analysis and establish your entry TF
     - If my entry TF is H4 and I see too many candles on H4 but it's a valid D1 zone, I won't take the H4 imbalance, I will have to wait for confirmation. Either that or take the whole D1 zone. It's ALL related to your entry timeframe. Compression could happen in lower timeframes but on a bigger TF it could look great, the entry would be on the bigger TF not on the lower TF that looks compressed. You either take the whole bigger TF or you wait for confirmation.

5. **THE BIG PICTURE or Higher Timeframes.** Choose to trade with the higher time frame's trend. Know where you are in the Daily and higher timeframes, never go against them
6. **ARRIVAL AT THE LEVEL**
    1. Arrival into a level is key to set & forget your trades. Basing before a level is not a good sign. Opposing levels near your entry level subtract profit margin from your area. Look for a smooth rally or drop into your entry level. But you don't want to spend the whole day staring at the charts, you have to trust your levels and analysis
    2. If you arrive to a demand zone with large red candles signaling panic and fear, you are likely to have a bigger and better bounce. The large red candles signal that everyone who wanted to sell has now exited. When buyers step in they must raise their bids quickly to attract a seller who may still be around
    3. If the arrival to the demand zone is quiet, there are still many worried holders who are looking to sell at a smaller loss when the bounce occurs. This added supply will normally mute the bounce of price from the demand level
7. **LOCATION**
    - Where the level is located is key to supply and demand
    - **High or low in the curve.** If the level is very low in the curve, longs will be lower odds unless it's located within a bigger TF and that bigger TF is fresh and it goes with the bigger picture
    - **Nested or not nested within a bigger timeframe**. If the zone is nested within a bigger fresh TF; it will have better odds than one that is not. A nested zone will be only valid if the HTF zone within which it's nested is also valid (2:1 imbalance, consolidation away, correct basing formation, etc). There are exceptions but exceptions aren't covered in the rules for now
    - Momentum and Location trades have higher odds than levels that are in the middle of nowhere
    - A level located at a strong HTF zone has better odds of holding than one that is not
8. **WHAT THE LEVEL HAS ACCOMPLISHED**
    - A level needs to break an opposing zone to be considered a level, it shouldn't be taken for granted, it's key to trading supply and demand
    - A level that not only takes an opposing zone (in its same TF) but it also takes out a higher TF zone will be stronger and will be scored higher than one that did not
    - A level that has inherited its supply/demand property will not have accomplished the removal of a zone by itself, but by a level that was created after its own creation
9. **DOLLAR INDEX.** The US Dollar Index (USDX) is an index of the value of the United States dollar relative to a basket of 6 major currencies. How do you think such an index can affect Forex? A lot! If the $ index is at a higher timeframe supply and the euro is at a higher timeframe demand, we have to go long, there is no other thing we should be thinking!

10. **NIKKEI INDEX**. The Japanese Nikkei index is inversely correlated with the Yen. If the Yen is strong the Nikkei will be weak. It all has to do with how cheap/expensive imports will be for Japanese companies. A strong Yen won't be good for exports. If Yen pairs match a HTF SD zone on Nikkei, we'd better don't go against that

A zone needs to take out its opposing zone (same TF) in order to be validated as a zone*. For instance, a zone will become supply if it takes out an opposing demand zone, but also that opposing demand zone should have taken out its opposing supply zone in the first place.*

The variables above are some of the main factors that should be taken into account when deciding which levels to trade. I personally use these variables to fine tune the level picking process. Remember that trading is a game's number, it's all about statistics.

Don't get me wrong. The strength of departure is what defines an area of supply or demand. The stronger and more explosive the departure, the stronger the imbalance and the higher the odds for a successful retest.

TRADABLE VERSUS NON-TRADABLE LEVELS

We must differentiate between imbalances that are tradable versus imbalances that are non-tradable? How does it work?

- An imbalance IS confirmed IF it takes out opposing zone or breaks a TL. Check this video on when an imbalance is confirmed
- That makes that imbalance automatically supply or demand, depending on what opposing level it takes out

BUT... you must differentiate between tradable and non-tradable supply and for that we need to score each potential imbalance by using the above mentioned odds enhancers that score the quality of a level: 2:1 imbalance, consolidation away, departure, bigger picture trend, freshness.

The score of a level will tell us if we can trade it or not BUT that will NOT change the fact that it's supply.

This analogy will help to explain this difference: A woman has different attributes different to men, men like women, but you may not like certain women because you don't like blondies or thin women. The fact that you don't like thin women does not negate the nature of a woman, a woman is a woman. Same applies to imbalances, an imbalance that takes out opposing one IS confirmed an imbalance, but is it tradable? Score it and you will find out

SUPPLY AND DEMAND LOOP

There is no loop in the SD equation because there will always be a TL that is broken and causes a level to be confirmed by itself. There will be always a level that removes and opposing level on all timeframes, if you don't believe that is so, go back in time in any instrument and you will see how that works.

Let's use the macro and infinitesimal world (bigger TF versus smaller TF) to make a comparison, let's also use physics and mathematics as a reference/guidance. There will be a moment when you will reach the beginning of time (Big Bang in that currency or instrument), and there will be no level to be taken out since there is no level that could be originated out of the blue (instantaneous energy at the origin of all things, read Stephen Hawkins here). Which was then first? Was there a beginning of the beginning or imbalances just existed by themselves? Did the egg came first or the was it the chicken?

The answer is, **imbalances exist by themselves created by the forces that govern the markets, that is, the institutions and professionals.** At the beginning of an instrument's history there is a mixture of professionals plus retailers, then professionals take control. From then on, we will start using the TL to assess the dynamics of the markets at any given timeframe. If the TL is broken then a new level is created out of the blue (energy out of nowhere = professionals) that might be trying to move the markets (market makers). That new imbalance that breaks the TL which is created out of the blue is considered a new SD zone that does not need to take out any previous zone, thus the "loop is broken" once a TL is broken.

WHEN THE STRENGTH OF DEPARTURE (imbalance) IS NOT AS "IMPORTANT"?

- **If we are in the early impulses (stages) of a trend, we won't need as big of an imbalance**. Location will tell you how big you want those drops (we need to add MTF analysis) in order to know your location
- **When we are bouncing off fresh and original higher timeframes**
  I mean, the imbalance is very important, strong and explosive imbalances are great, but if those strong imbalances happen at a fresh and original higher timeframe area where we expect a turning point, price will most likely not return to that area in short, it might do after some time, days or weeks for a retest
- If price is printing new CP (continuation patterns) off a higher timeframe area, that means there are willing buyers/sellers. Imbalance will not be that crucial when that happens and we are still quite low in the curve to buy at demand, or high in the curve to sell at supply

- If the imbalance is great and price returns to the area shortly after, it's often not a good sign either, price needs to consolidate away from the level and not return to it in the next couple of candles in order to validate the imbalance.
- Why is it not that important? Because we want to be riding that zone as soon as possible, those are accumulation/distribution periods, big imbalances can happen but not always. And if big imbalances happen many times there won't be a pullback. There will be times when we will have losses, that's taken for granted and they are welcome, but overall we will have an edge, and that's the most important thing

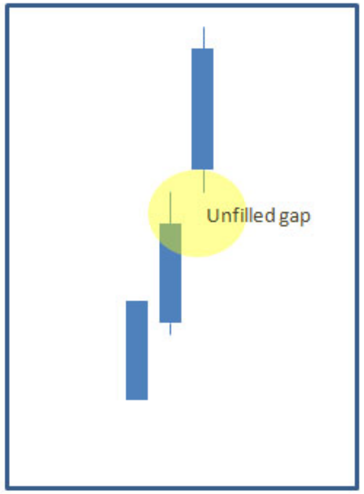
STRENGTH OF DEPARTURE

- An unfilled gap is the strongest look of departure, price will tend to fill that gap in the short term or in the future.
- At least 2-3 several ERC candles closing at or near the 80% range of a candle range makes a level strong, it's the most common look for a strong level
- Candles departing slowly from a zone (tsumo departure) is not a good sign, we need exciting or ERC candles away from a level, that will stand for a strong imbalance.
- We won't lean on weak levels, this is why we have a big red X on the weak zone, we don't want that look

We want MINIMUM a strong or strongest look with unfilled gap for a level.

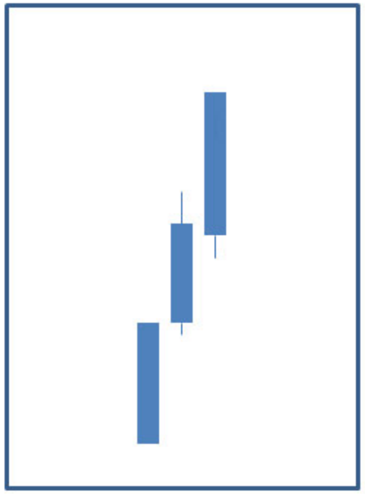
STRENGTH OF DEPARTURE

Strongest (unfilled gap)



An unfilled gap is the strongest look of departure, price will tend to fill that gap in the short term or in the future.

Strong



At least 2-3 several ERC candles closing at or near the 80% range of a candle range makes a level strong, it's the most common look for a strong level

Weak

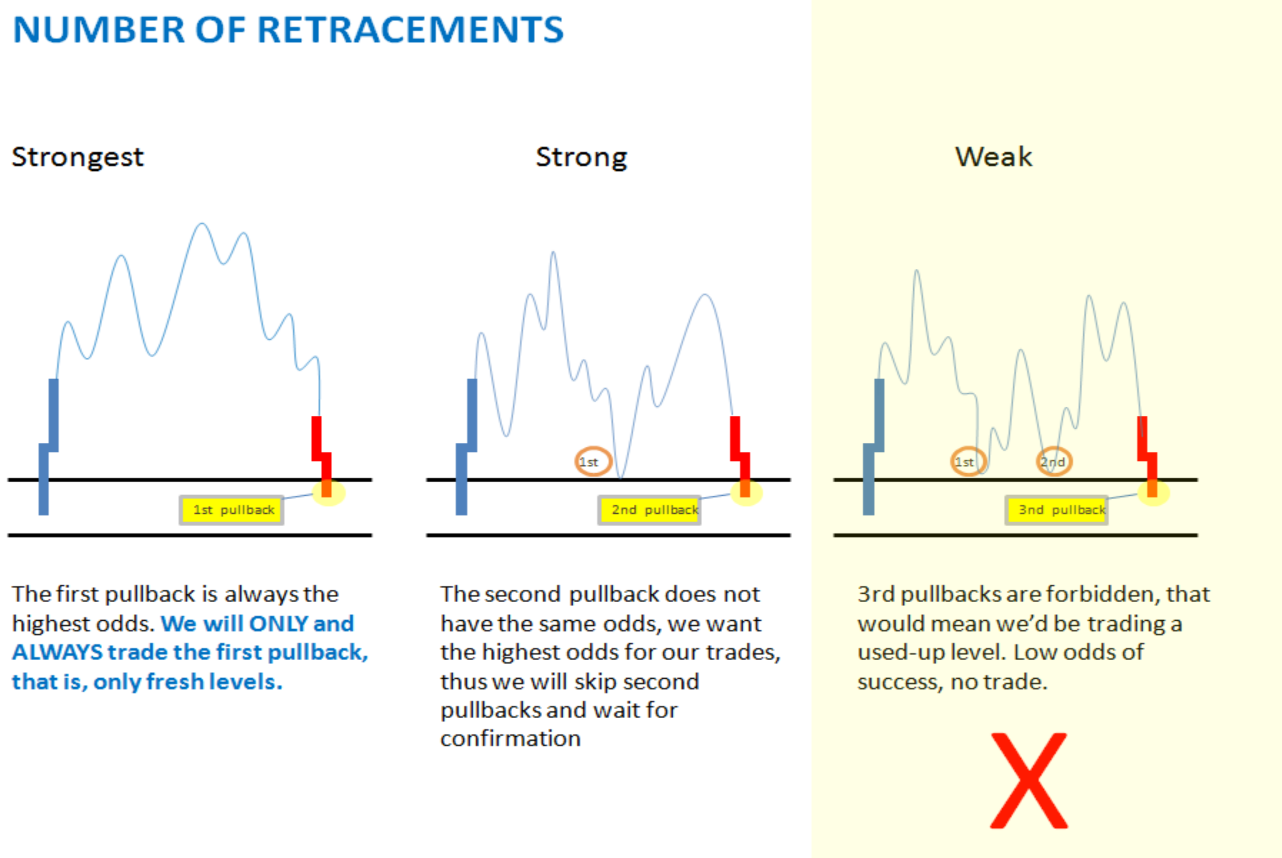


Candles departing slowly from a zone is not a good sign, we need exciting or ERC candles away from a leve, that will stand for a strong imbalance. We won't lean on weak levels

We want **MINIMUM** a strong or strongest look with unfilled gap for a level.

NUMBER OF RETRACEMENTS or PULLBACKS

- **The first pullback is always the highest odds.** We will ONLY and ALWAYS trade the first pullback, that is, only fresh levels
- The second pullback does not have the same odds, we want the highest odds for our trades, thus we will skip second pullbacks and wait for confirmation
- Taking a 3rd pullback into a level is forbidden, that would mean we'd be trading a used-up level. Low odds of success, no trade



MINIMUM RISK/REWARD AND PROFIT MARGIN

- **We need a minimum 3:1 Profit Margin,** difference in pips between proximal and distal line of our levelto where price started to retrace into it
- The Risk Reward imbalance created at the origin of a level validates the level as good imbalance, but we need profit margin for a minimum of 3:1 R/R exit
- A 2:1 Profit Margin is not a good profit margin, we need at least 3:1 for a 2:1 exit, 4:1 for a 3:1 exit
- A 1:1 invalidates any level, we will never use a 1:1 R/R. Risking 1 R to gain 1 R is not a good strategy
- ***A minimum 2:1 imbalance and 1 full OHCL candle consolidating away from the level is needed, as well as 3:1 profit margin or more to the opposing level***

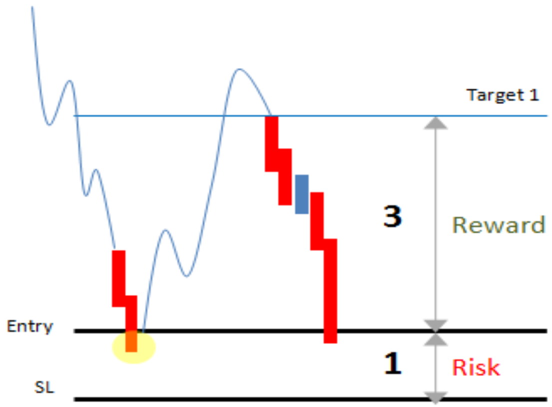
There are circumstances where we might decide to tweak the 2:1 imbalance rule. Do not tweak this rule as a norm, or you will have a lot of unnecessary losses. These circumstances will depend on two variables:

- **Location of the level.** It's right at the breakout spot of a bigger timeframe zone
- What the level has accomplished. It's not always only about the imbalance, we must assess and understand what the level has accomplished. The level might not be 2:1 but it was the one that broke a bigger timeframe Trendline or an important supply/demand zone on a bigger timeframe

Under those circumstances, we might be willing to take such a level. The back testing on these kind of scenarios supports trading on them but each scenario has to be analyzed by itself to assess what is the location of that level and what it has accomplished, else a 2:1 zone will be a no-no trade.

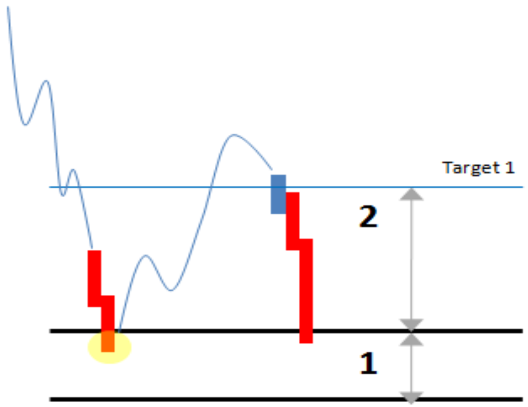
PROFIT MARGIN versus RISK REWARD

Strongest



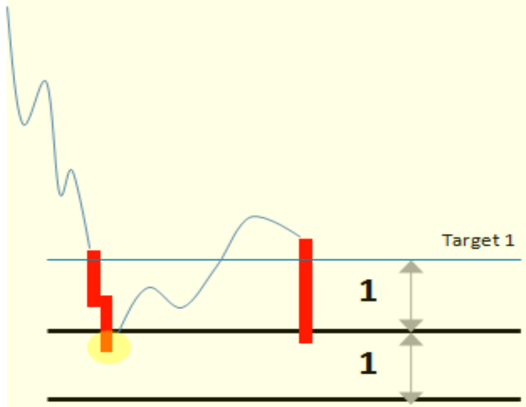
We need a minimum 3:1 Profit Margin measured from the proximal line of our level to where price started to retrace into it.

Strong



A 2:1 Profit Margin is a good imbalance, but good under certain circumtances (at the extremes) explained in the lessons.

Weak



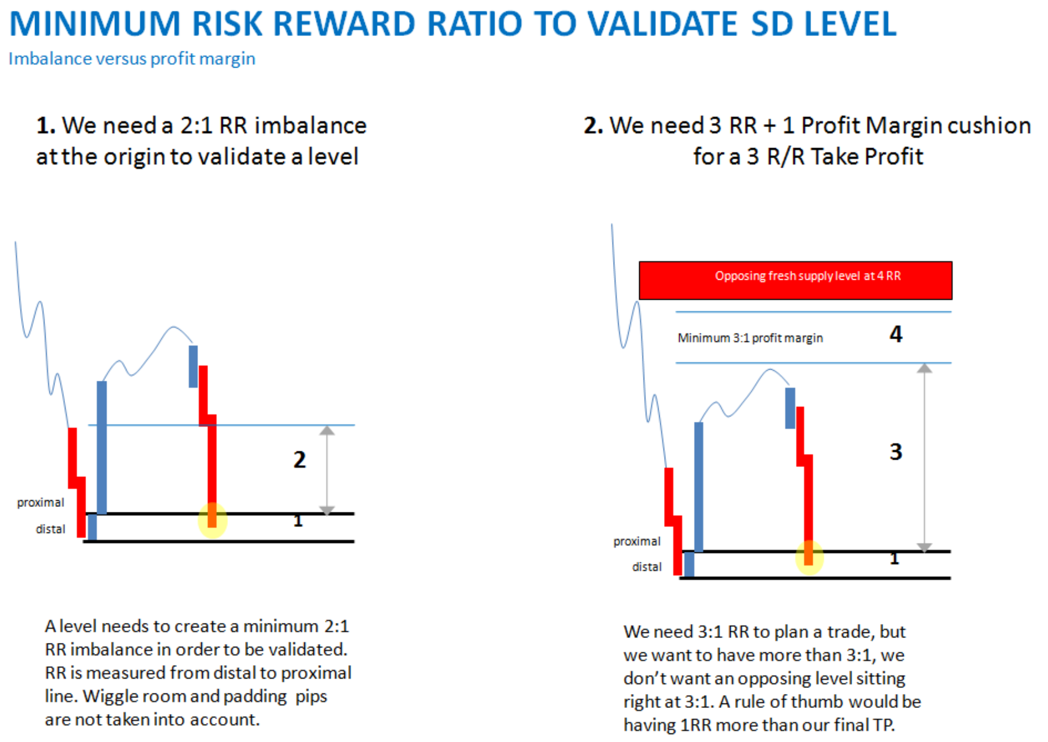
A 1:1 invalidates any level, we will never use a 1:1 R/R. Risking 1 R to gain 1 R is not a good strategy.

X

A minimum 2:1 imbalance and 1 full OHCL candle consolidating away from the level is needed, as well as 3:1 profit margin to the opposing level

MINIMUM RISK REWARD RATIO TO VALIDATE SD LEVEL

- We need a 2:1 Risk/Reward imbalance at the origin to validate a level
- We need 3 RR + 1 Profit Margin cushion for a 3 R/R Take Profit
- ***A minimum 2:1 imbalance and 1 full OHCL candle consolidating away from the level is needed, as well as 3:1 profit margin to the opposing level.***
- RR is measured from distal to proximal line. Wiggle room and padding pips are not taken into account
- We need 3:1 RR to plan a trade, but we want to have more than 3:1, we don't want an opposing level sitting right at 3:1. A rule of thumb would be having 1RR more than our final TP



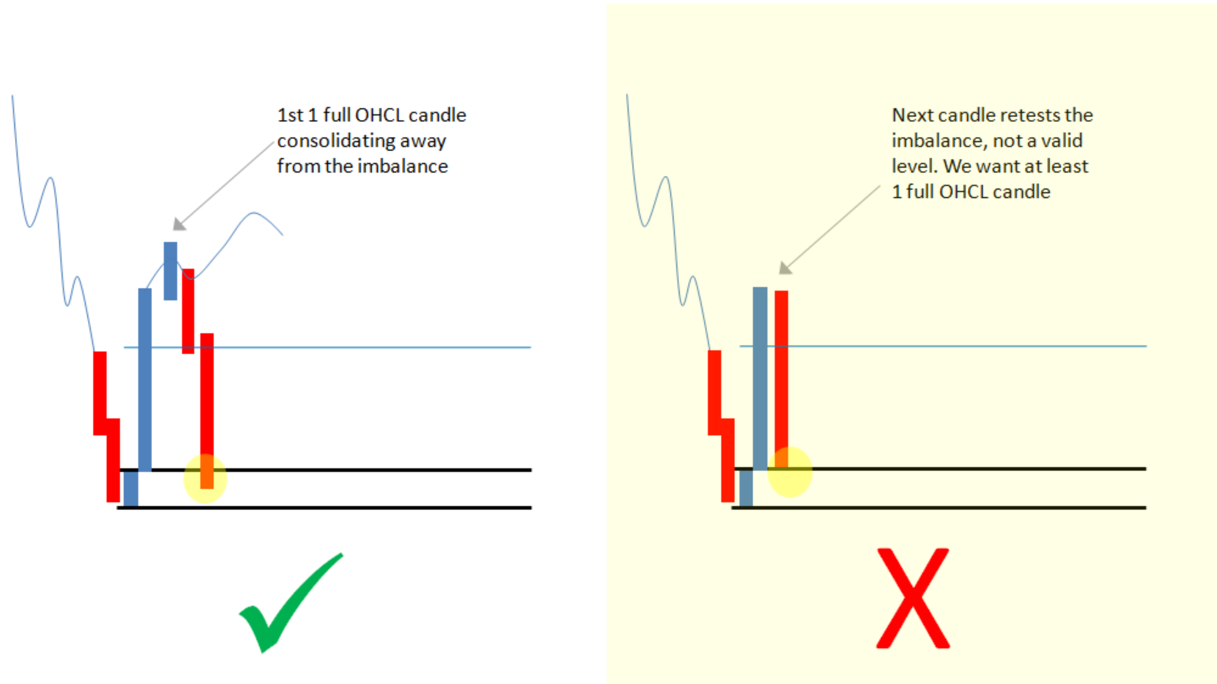
1 FULL OHCL CANDLE CONSOLIDATING AWAY FROM THE LEVEL

- We need at least 1 full OHCL candle consolidation away from the imbalance in order to validate a level. If that does not happen, the level has got no imbalance. Having the next candle returning to the origin of the imbalance EQUALS to no imbalance (piercing and engulfing patterns)
- Price of candle consolidating away does not need to close or have a higher high (for demand) than the previous candle or candles, it just needs to consolidate away as explained in the screenshot below

1 FULL OHCL CANDLE CONSOLIDATING AWAY FROM THE LEVEL

Minimum requirements to validate an imbalance

We need at least 1 full OHCL candle consolidation away from the imbalance in order to validate a level. If that does not happen, the level has got no imbalance. Having the next candle returning to the origin of the imbalance EQUALS to no imbalance (piercing and engulfing patterns)



ARRIVAL INTO A ZONE

- **Arrival into a level is key to setting & forgetting our trades**. Proper and well-formed basing before a level is not a good sign. Opposing levels near your entry level subtract profit margin from your area. Look for a smooth and strong rally or drop into your entry level
- **The steeper and stronger the arrival (ERC candles without pause) is the stronger the bounce will possibly be**. If you arrive to a demand zone with large red candles signaling panic and fear, you are likely to have a bigger and better bounce. The large red candles signal that everyone who wanted to sell has now exited. When buyers step in they must raise their bids quickly to attract a seller who may still be around
- **Strong well-formed Supply zone formed before demand. If the arrival to the demand zone is quiet with well structured levels, there are still many worried holders** who are looking to sell at a smaller loss when the bounce occurs. This added supply will normally mute the bounce of price from the demand level. This will normally mean new supply zones right before the demand zone
- **If the arrival to a zone is very slow with compressed supply/demand** (tsumo arrival with small candles and bad basing), these zones are normally easily absorbed when price hits a HTF SD area

STEEP & STRONG ARRIVAL INTO A ZONE

US Index 18th April 2014 on the D1 chart



SLOW AND COMPRESSED ARRIVAL INTO A ZONE

US Index 18th April 2014 on the D1 chart



NEW WELL FORMED ZONE BEFORE AN OPPOSING ZONE

US Index 27th August 2012 on the Weekly chart



When a new imbalance is confirmed as a zone

As a rule of thumb, a zone needs to take out an opposing zone to be validated, but there very specific circumstances when this rule does not apply

A zone or imbalance is validated under these 2 specific circumstances:

You must ask the charts the same 2 questions below over an over. See each chart as the ancient Greek Oracle that has the answer to everything*, you just have to ask and offer a sacrifice, your time. Ask the Monthly Oracle the right questions, then the Weekly Oracle... they will always answer you.*

The questions are always the same when it comes to spotting and drawing Supply and Demand zones:

1. **Imbalance took out an opposing zone.This rule is the core of this supply and demand strategy**
   - *Making a higher high or a lower low does not necessarily validates a zone*, it also needs to take out an opposing zone, unless scenario 3 occurs (read below)
   - Exception: If there is a H4 demand zone that took out an opposing H4 supply but the supply is within a D1 or bigger timeframe, the removal of the zone does not make the demand zone tradable, it's way too high and we'll need the D1 supply to be taken out instead. The same applies with a D1 demand zone having removed an opposing D1 supply zone but that supply zone is located within a WK supply zone. Price is fractal, the same rules apply to all timeframes and combinations

2. **A Trendline has been broken at a bigger timeframe or a flip zone (WoW trade)**
   - When a Trendline is broken, the imbalance originally created that caused the break of the TL will be validated automatically as a valid zone even if an opposing level has not been removed
   - This new level will be valid as long as 1 HTF zone is not hit and gains control. That is, if an ascending WK TL is broken and a bearish engulfing pattern is confirmed as supply (it broke the TL), it will be valid as long as a HTF MN demand zone or clear HTF are not hit
   - A level created after a TL break is valid as long as it does not reach an opposing level and that opposing level takes control without being taken out

CLARIFICATIONS

There is no opposing zone to be taken out and a profit margin bigger than 3:1 to the opposing zone, OR it's all time highs or lows where there is no opposing level to be taken out

- There are times when the opposing zone is way far from the origin of the imbalance. This happens normally in strong trends or after the breakout of a flip zone. Make sure there is no flip zone on the way up when this happens
- Sometimes the opposing level is used up and not tradable (not 2:1 or way too wicky). Try to lean on well-formed D1 zones in these scenarios. You can be more aggressive with H4 longs if you want, but try not to assume that a used-up zone is going to be removed "this time"
- A D1 supply zone may have taken out an opposing D1 DZ but if D1 SZ neither consolidated away nor created a 2:1 imbalance all lower TFs than D1 will be negated since the bigger TF zone is not tradable
- Under this scenario we'll already have a valid Trendline connecting several valleys or peaks

Tradable versus non-tradable zone. A valid zone at any given timeframe is only tradable if it complies with the multiple timeframe analysis and the Sequence rules

- A valid H4 demand zone that took out valid H4 supply zone will be valid if it follows the Sequence rules. We're always talking about higher probability setups
- That valid H4 DZ could be created right underneath a valid D1 supply zone and WK supply zone, with a clear downtrend. What do you think is going to happy to a small H4 DZ against a WW/MN supply zone in a downtrend? It will have very low odds and will most likely be easily removed

New Zone is validated when the opposing one is taken out

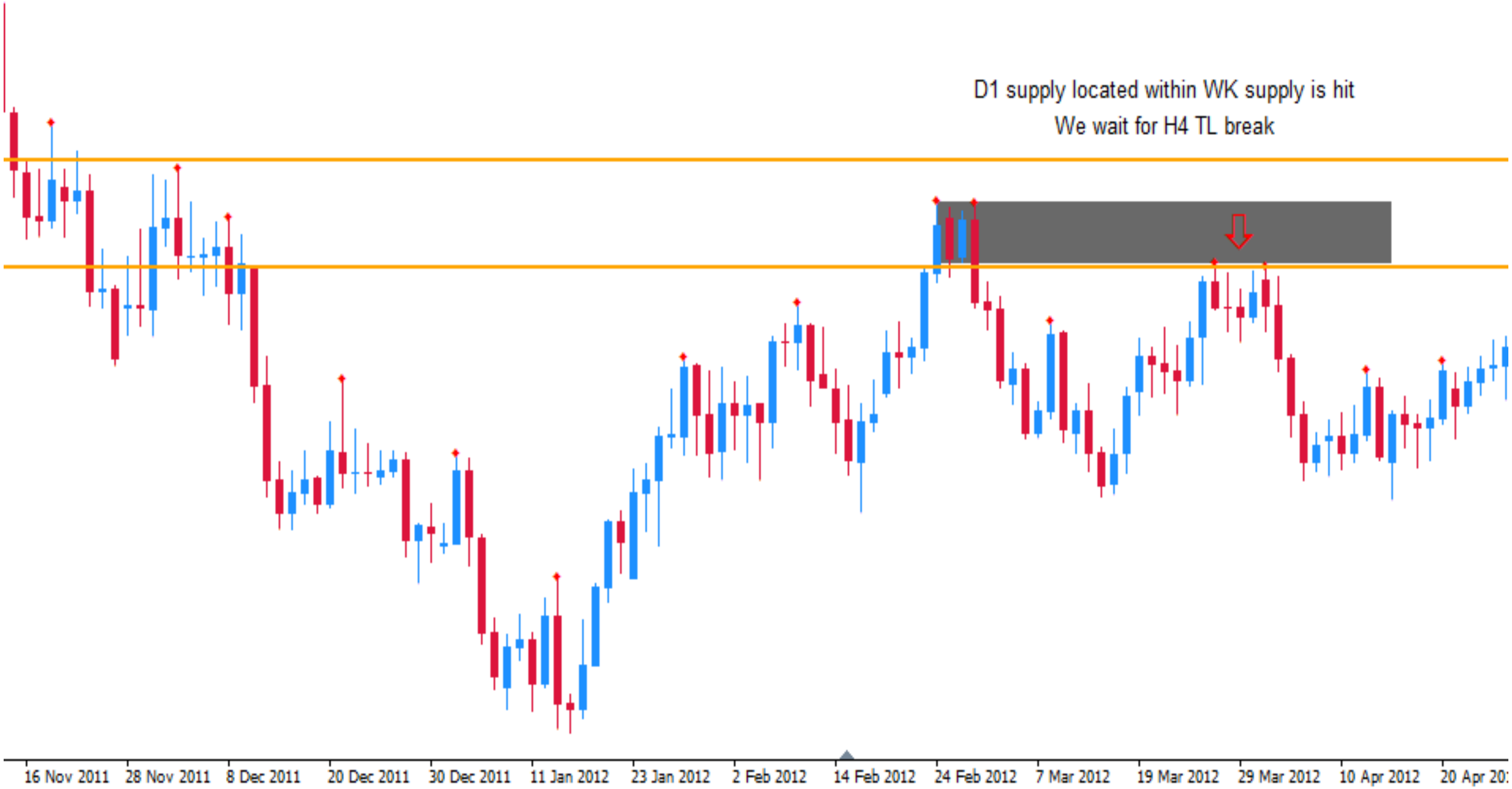
EURUSD D1 timeframe 16th September 2013. A couple of D1 demand zones examples are shown

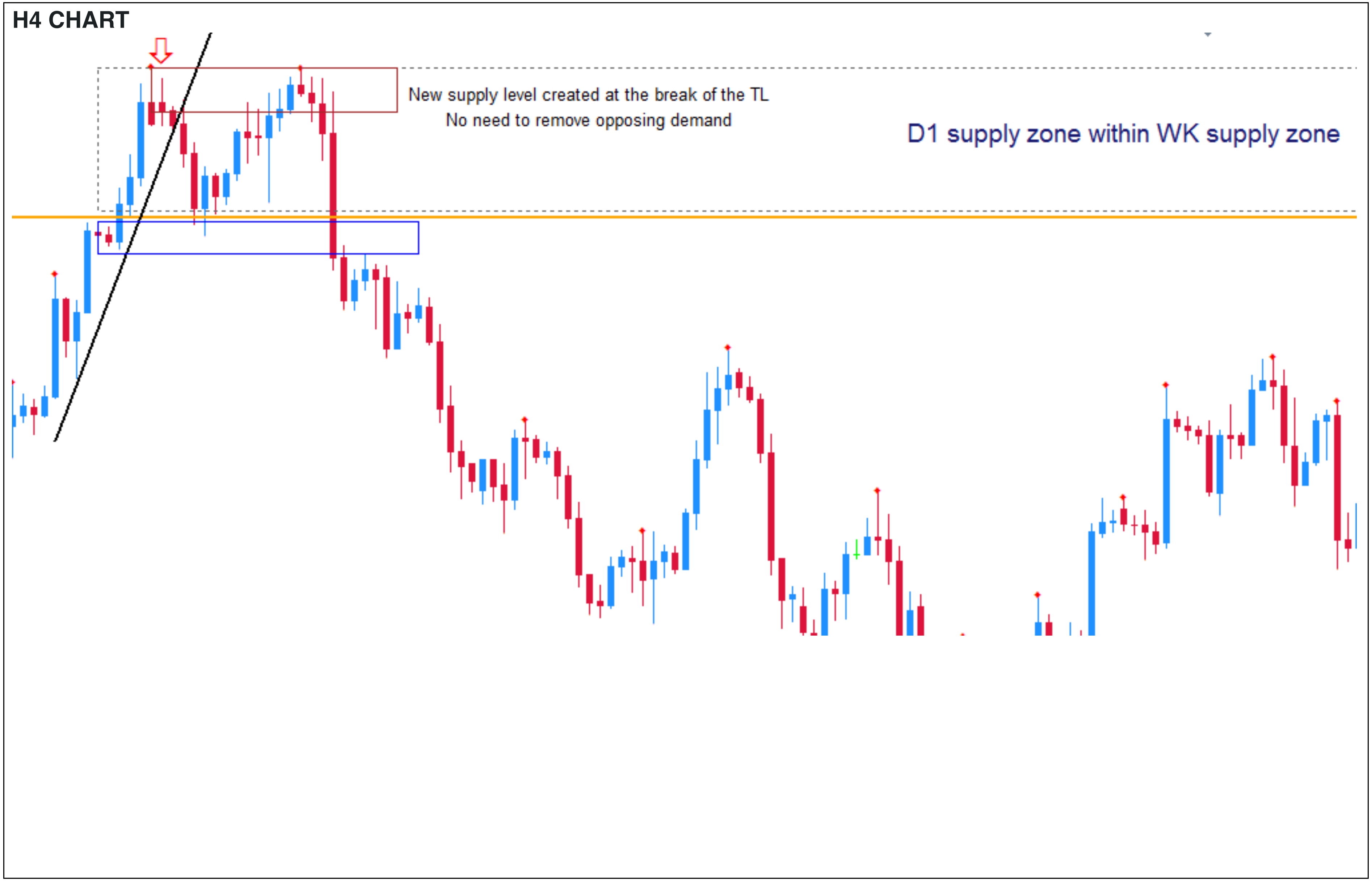


A Trendline has been broken at a bigger timeframe or a flip zone (WoW trade)

- *There is no need for the opposing zone to be removed if we have hit a bigger timeframe zone than our entry timeframe*
- *Remember you can be more conservative and wait for the opposing level to be removed*
- *EURUSD D1 timeframe 28th September 2013. A couple of D1 demand zones examples are shown*

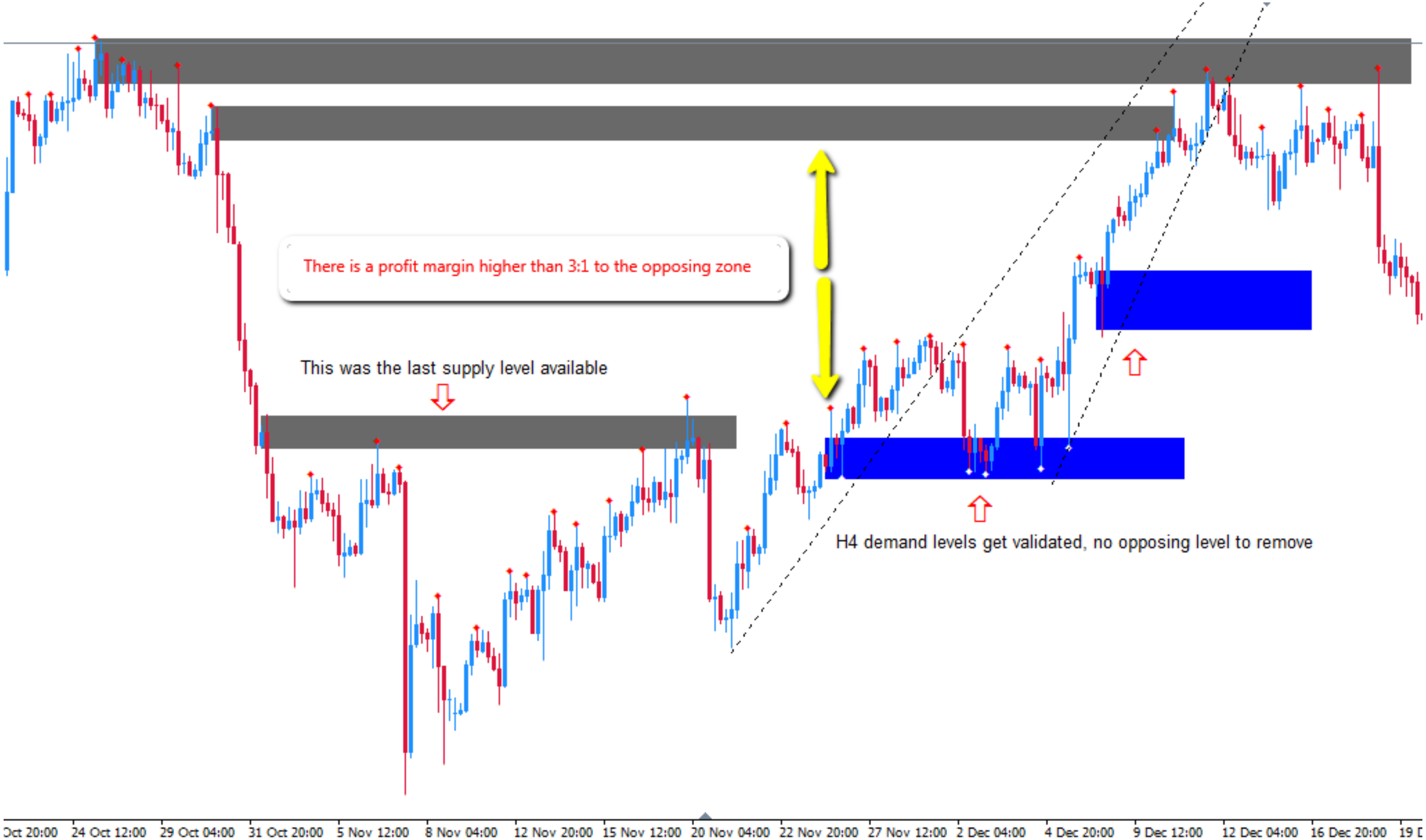
D1 CHART




H4 CHART
New supply level created at the break of the TL
No need to remove opposing demand
D1 supply zone within WK supply zone

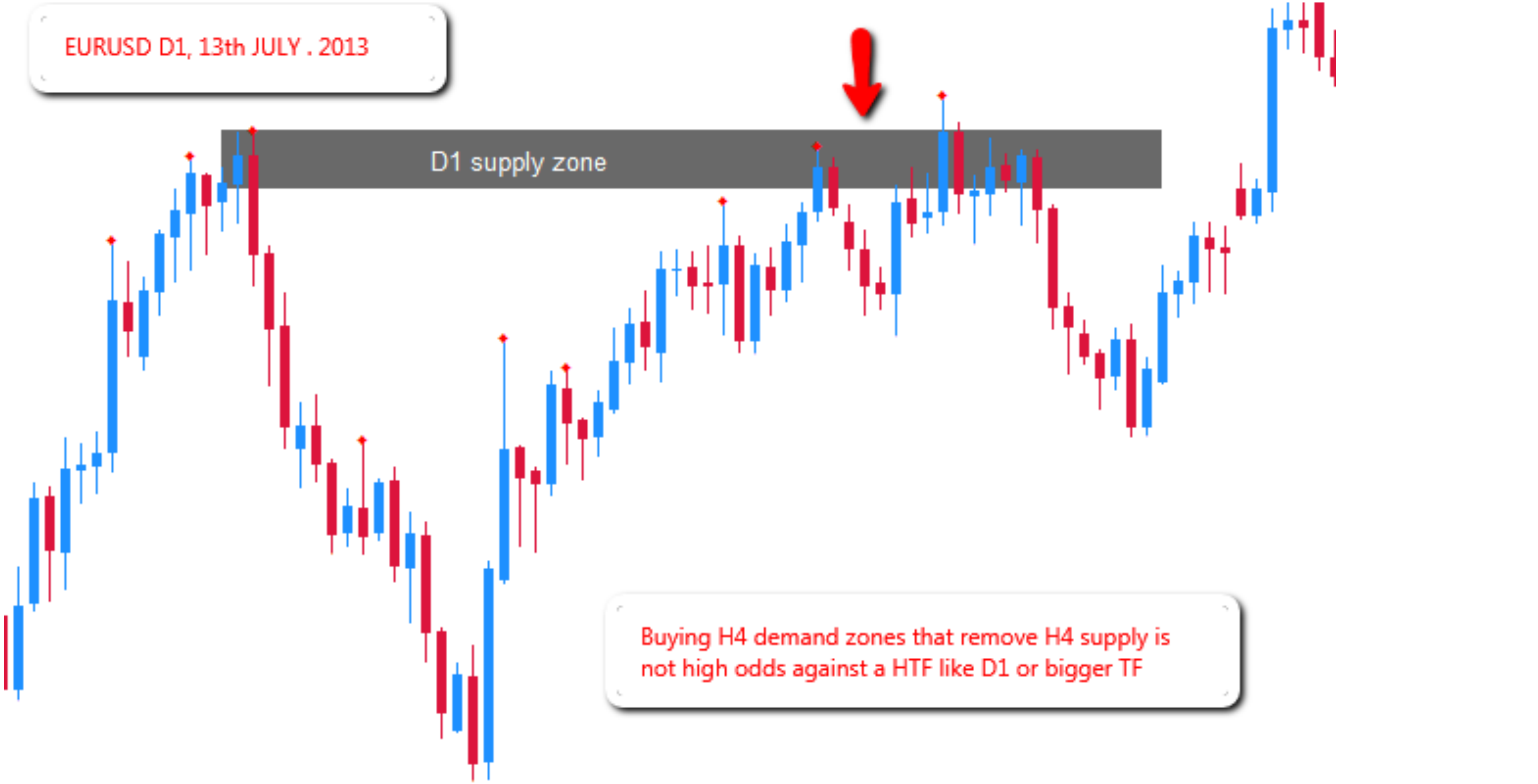
There is no opposing zone to be taken out and a profit margin bigger than 3:1 to the opposing zone

- *There is no need for the opposing zone to be removed if there is no zone to be removed, zones will be validated automatically if there is a profit margin higher than 3:1 to the opposing zone*
- *EURUSD H4 timeframe 20th November 2014*



A ZONE TAKING OUT AN OPPOSING AREA LOCATED WITHIN A HIGHER TIMEFRAME ZONE IS NOT HIGH ODDS

- *EURUSD D1, 6th NOV. 2013*
- The fact that supply is being taking out by a demand level does not validate the level if we'd too high buying against D1 or higher timeframe areas of supply. The opposite applies to supply zones removing demand zones too low at a HTF area of demand



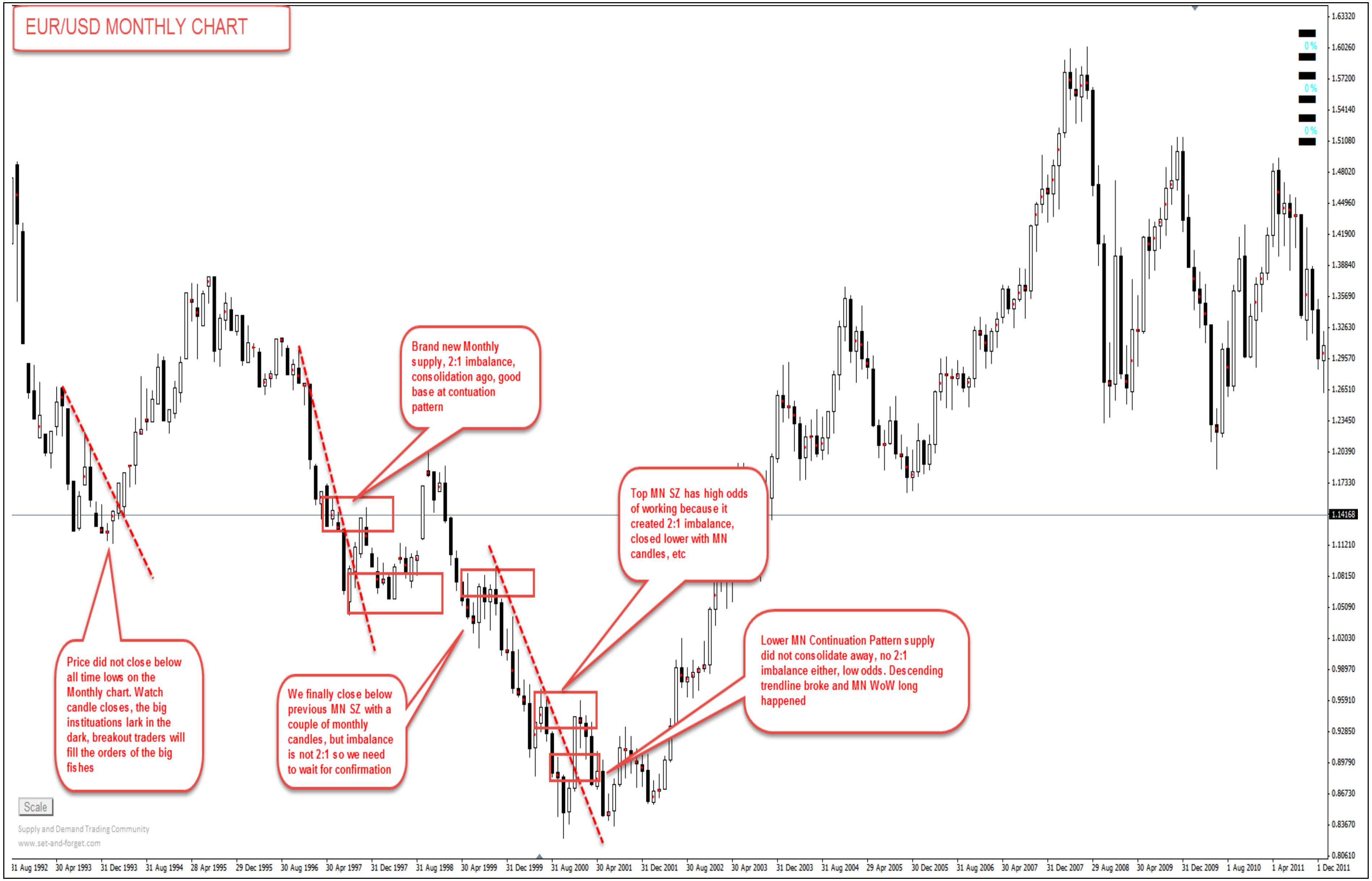

EURUSD H4 9th August 2013
D1 supply zone
H4 demand zones removing opposing zones or making higher highs but high into D1 or HTF zones are not high probability.
The fact that it removes the previous highs or zone does not validate the level by itself as a tradeable zone

Validation of potential imbalances at all-time lows and highs

There are times when there are no opposing zones to be taken out because price is printing all time highs or lows. Under these circumstances, brand new imbalances that follow the main odds enhancers as described in the section on how to score a level should be used as filters.

These are the features we'll need for such a potential imbalance under all time lows/highs:

- **An 2:1 imbalance** after breaking out of the basing
- **Ideally 3:1 profit margin.** The profit margin would really be the imbalance created by the departure, since there is no opposing level to measure profit margin from
- **Consolidating away with 1 full OHCL candle**
- **Good base.** Stay away from wicky bases or too many candles at the base
- **Watch candle closes on Monthly and Weekly charts.** Big fishes love fishing at all time lows/highs, many breakout traders will trade there, these trades might feed opposing institutions orders that were lurking in the dark waiting for retailers. Ideally wait at least for brand new MN/WK imbalance who lower low or higher high has a WK/MN close after the all time lows/highs price


EUR/USD MONTHLY CHART
Brand new Monthly supply, 2:1 imbalance, consolidation ago, good base at contuation pattern
Top MN SZ has high odds of working because it created 2:1 imbalance, closed lower with MN candles, etc
Lower MN Continuation Pattern supply did not consolidate away, no 2:1 imbalance either, low odds. Descending trendline broke and MN WoW long happened
Price did not close below all time lows on the Monthly chart. Watch candle closes, the big instituations lark in the dark, breakout traders will fill the orders of the big fishes
We finally close below previous MN SZ with a couple of monthly candles, but imbalance is not 2:1 so we need to wait for confirmation
Scale
Supply and Demand Trading Community
www.set-and-forget.com
1.63320
1.60260
1.57200
1.54140
1.51080
1.48020
1.44960
1.41900
1.38840
1.35690
1.32630
1.29570
1.26510
1.23450
1.20390
1.17330
1.14168
1.11210
1.08150
1.05090
1.02030
0.98970
0.95910
0.92850
0.89790
0.86730
0.83670
0.80610
31 Aug 1992
30 Apr 1993
31 Dec 1993
31 Aug 1994
28 Apr 1995
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30 Apr 1999
31 Dec 1999
31 Aug 2000
30 Apr 2001
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30 Aug 2002
30 Apr 2003
31 Dec 2003
31 Aug 2004
29 Apr 2005
30 Dec 2005
31 Aug 2006
30 Apr 2007
31 Dec 2007
29 Aug 2008
30 Apr 2009
31 Dec 2009
1 Aug 2010
1 Apr 2011
1 Dec 2011

Continuation Patterns, validating and negating CPs, when to trade CPs

Continuation patterns or CPs are very powerful price patterns normally created at the beginning of a new trend or after a breakout.

IMPORTANT: CP patterns are NOT detected by the automatic SD indicator. You have to draw them manually.

A CP pattern is preferably formed by an ERC candle at the first leg + basing/Marubozu candles at the base + an ERC at the second leg. That's the ideal CP but it's not always like that, perfect conditions do not appear always.
Some CP's have an arrival and departure 50% bar, what we should not have is stair step ladder basing like the one u took.

WHEN TO TRADE CPs:

- **Trading with the trend,** with the momentum of the timeframe where it's been detected
- **When price is departing from a higher TF** SD area on a location AND momentum type of setup
    - CPs on Momentum + Location trade setups near or at the HTF proximal line.
- **At historical areas of Support and Resistance**
    - When a SR area is broken, a CP right at the retest of that area usually works really well
      These areas can be easily located using the SupportAndResistance indicator included in the indicators standalone package (it displays blue and red beads at the last week/month highs/lows)
- **At the breakout of flip zones**
- **Make sure the CP obeys the trend line rules**

EXTRA TIPS ON CONTINUATION PATTERNS:

- A candlestick with just a 50% base does not necessarily mean it has to be a CP pattern
- Not every CP pattern with a 50% candle is a CP pattern, in fact there are high probability CP patterns that are made of Marubozu candles or engulfing patterns that do not have 50% basing candle
- Many non 50% bases are CP patterns
- CP patterns candle color is indifferent. Either Blue or Red candles can be found in a CP demand or CP supply patterns
- Normally we'll want a bearish candle in a CP demand or a bullish candle at the CP supply, but at flip zones and retests of important SR/SD zones, the candle color is indifferent... We just need a pause in the market

WHEN NOT TO TRADE CPs:

- **When the basing structure is not good:**
  - More than 6 candles at the base
  - Wicky candles at the base
  - 1 single doji or high wave candle (wide candle body and long shadows) as a base

- **When Trendline has been solidly broken**
  - A H4 CP demand must always stay above an ascending H4 TL when price hits it
  - If there is a full H4 OHCL candle closed below the TL, the CP demand will be negated
  - The CP and TL must be on the entry TF

- **At Higher Timeframes SD areas when opposing SD area is in control**
  - If H4 is in an uptrend and WK demand is in control, selling a H4 CP at the WK supply area is not high odds.
  - CPs are continuation patterns, not good for trading at the extremes because at the extremes we have no room for continuing the trend, it's most likely to get a reaction/rebound, thus making the CP lower probability
  - V and inverted V shapes areas (peaks and valleys) are the ones we should use to trade HTF areas and extremes for better odds

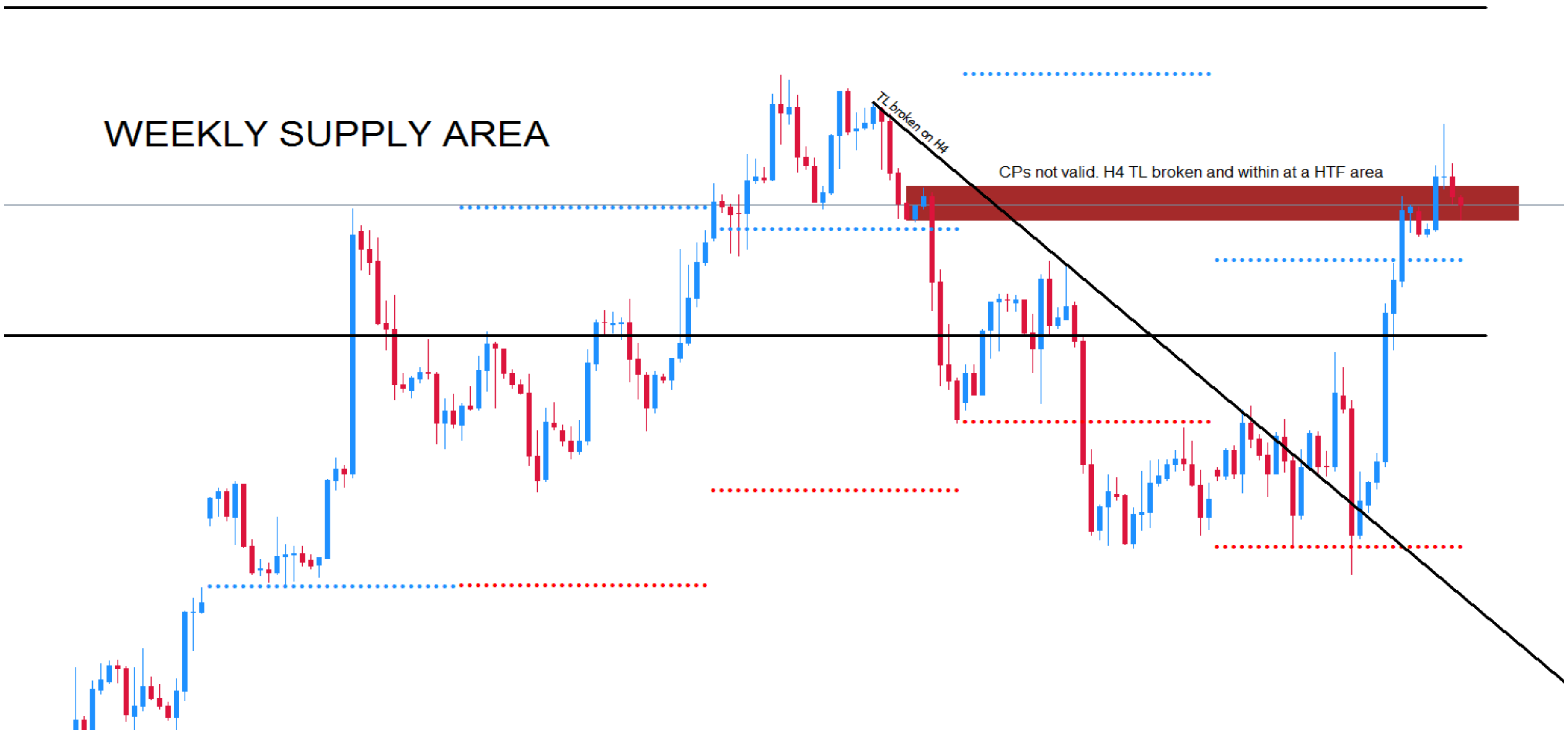
- **When more than 3 CP patterns have been created in the same direction**
  - After 3 or more CP patterns, trading is not recommended in that direction because that TF will be considered over-extended. We'll be allowed to draw a more aggressive TL, a reversal could happen
  - Zones can be easily taken out or overshot, it's advisable to trade them based on confirmation, waiting for 1 lower TF WoW trade than the TF where the CP patterns have been detected
  - See in a post lower some graphical examples of the 3 CP rule

WHEN TO TRADE H1 CPs WHEN H4 IS YOUR ENTRY TF FOR SWING TRADING

- **When there are strong H4 ERC (Extended Range Candles) with a great imbalance**
  - When this happens on H4 it's likely there will be H1 CP patterns within those H4 ERC candles
  - Price is so strong that the pause is minimum and the H1 CP patterns are formed

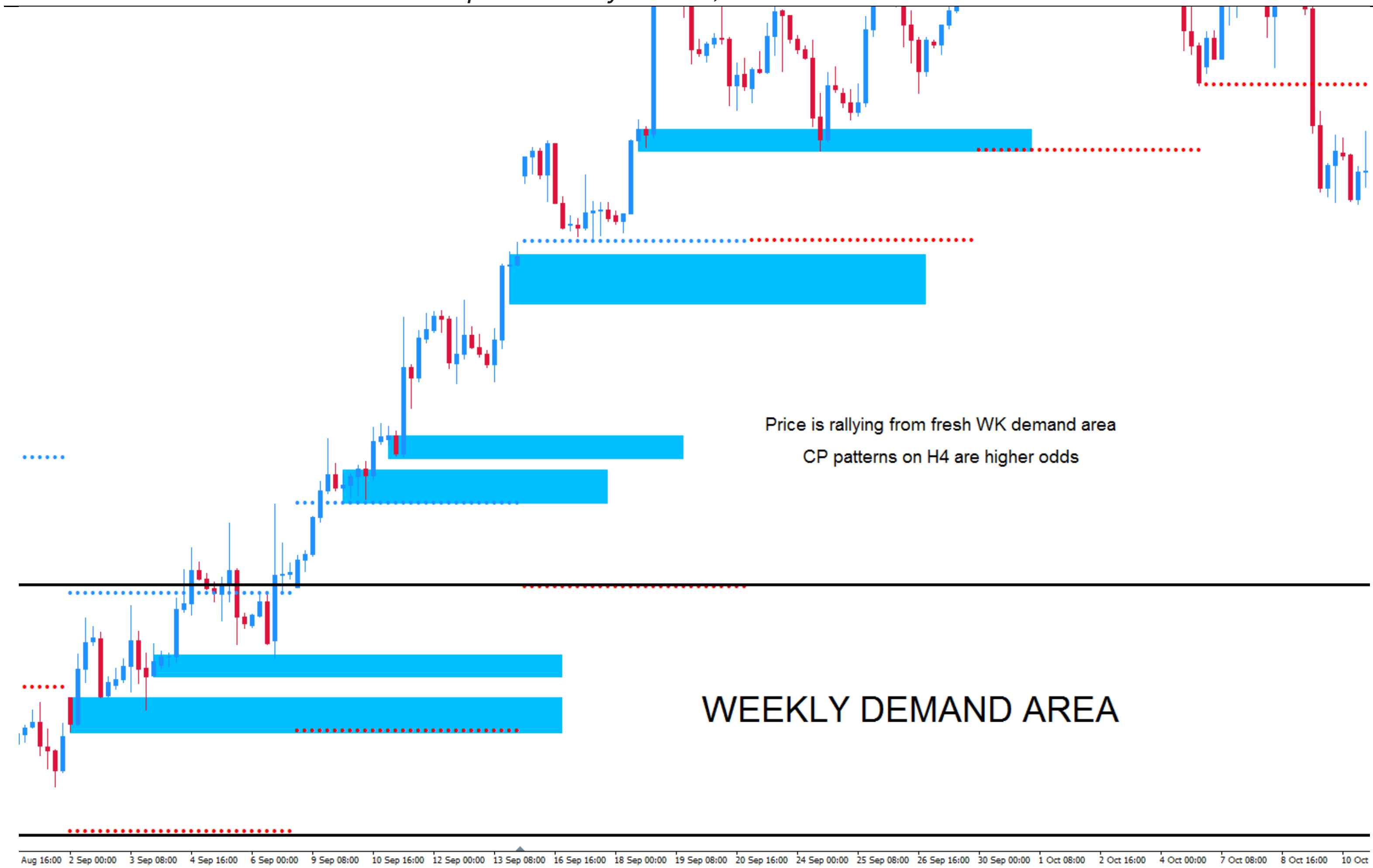
Example of non-valid CP H4 supply with these scenarios:

- H4 descending TL had been solidly broken
- H4 CP supply was at a HTF supply area (Weekly)
- CPs are not high odds at at the curve when the opposing HTF is in control
- CPs would have been great in this GBPUSD WK supply area, if price had pulled back to the CP when the pattern was first created, on the way down
- The CP is not good on the way up, since a CP is a continuation pattern not a reversal pattern



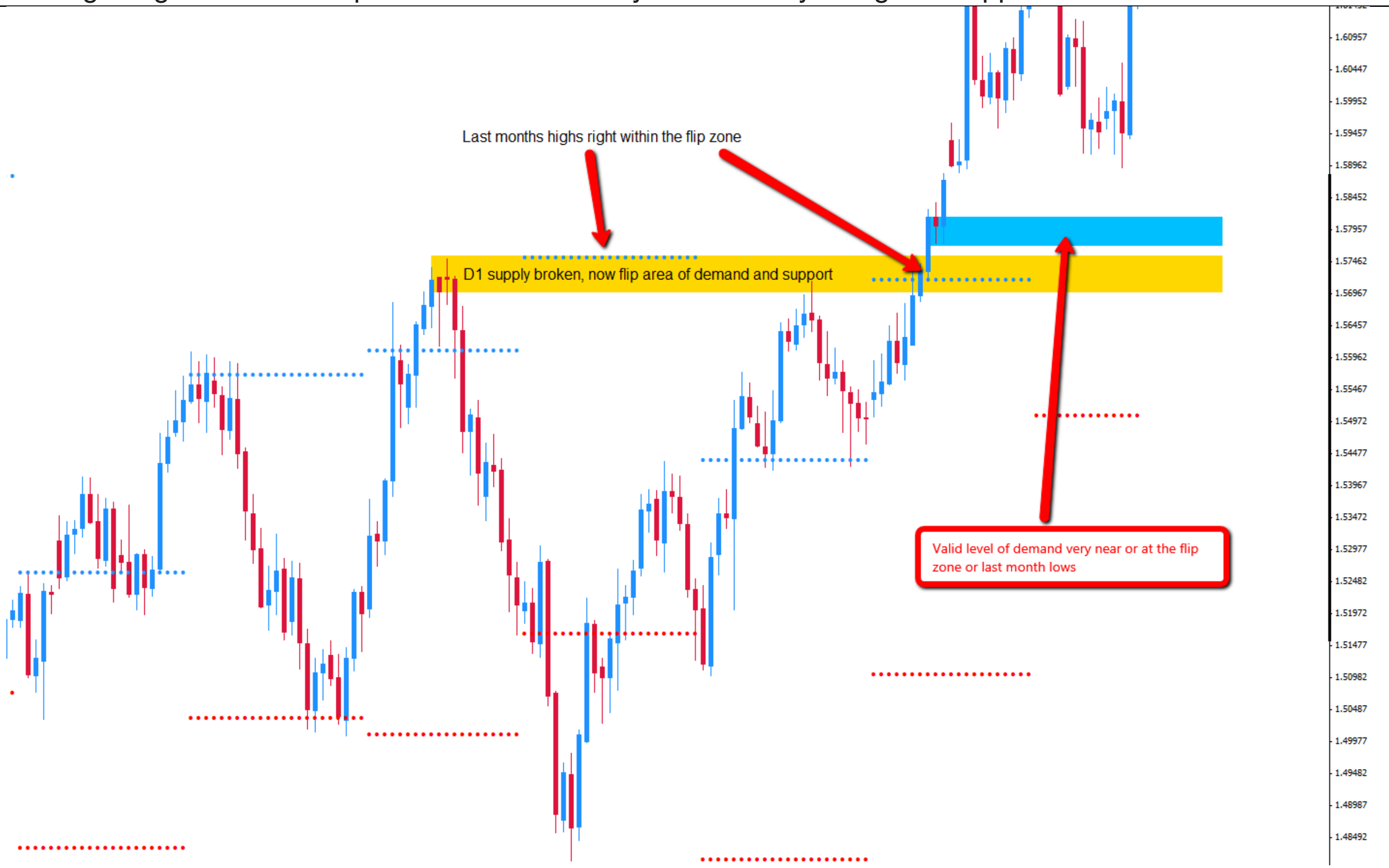
Example of valid CP patterns when price is rallying from HTF Weekly demand area (GBPUSD):

- Price is rallying from fresh WK demand area
- CP patterns on H4 are higher odds
- We need the CP demand areas to make higher highs and follow the rules, that's taken for granted
- *Some of the levels shown did not produce any entries, but the levels were valid*



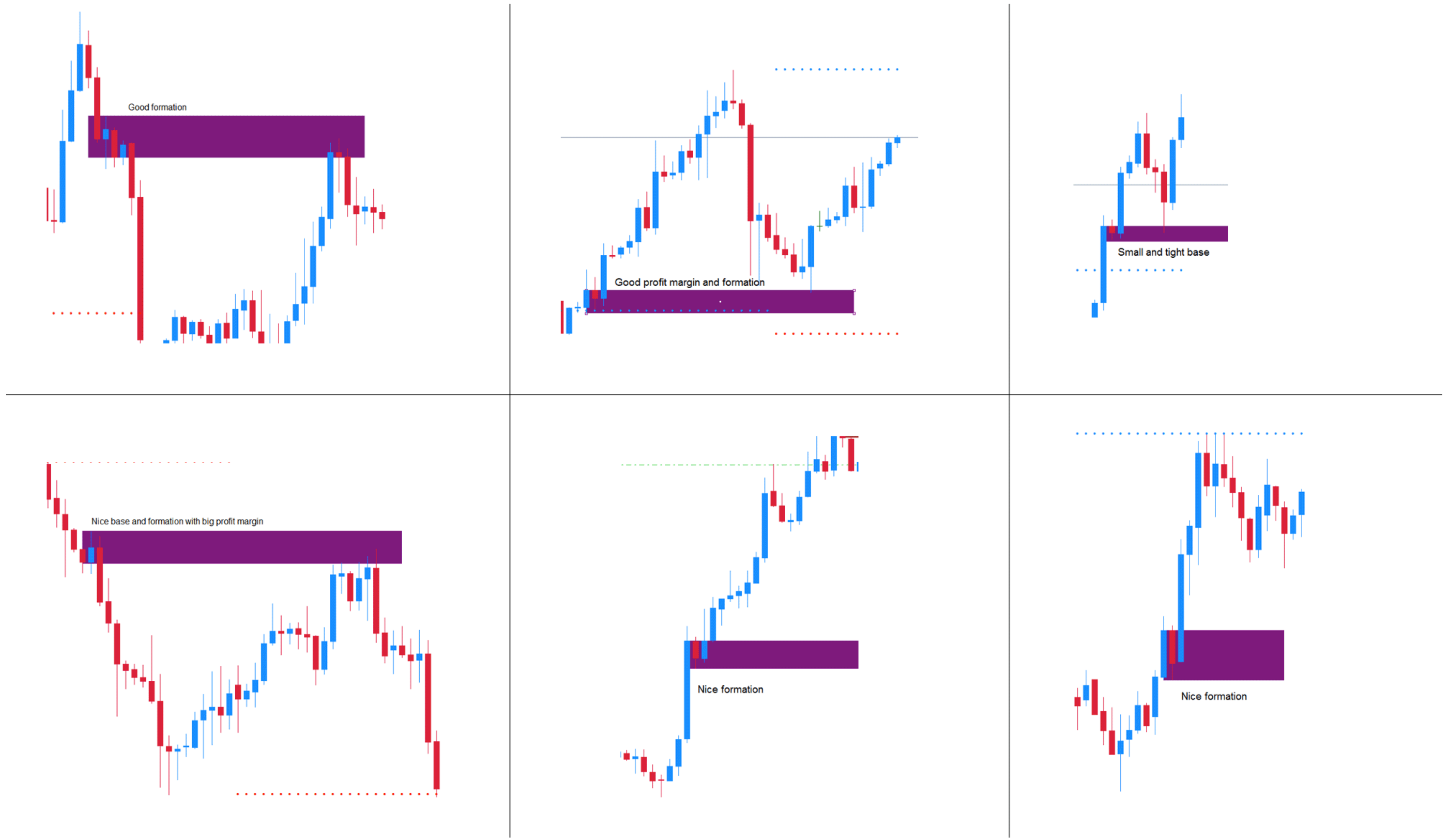
An example on GBPUSD D1 chart on how to use CP patterns at flip zones and areas of support and resistance:

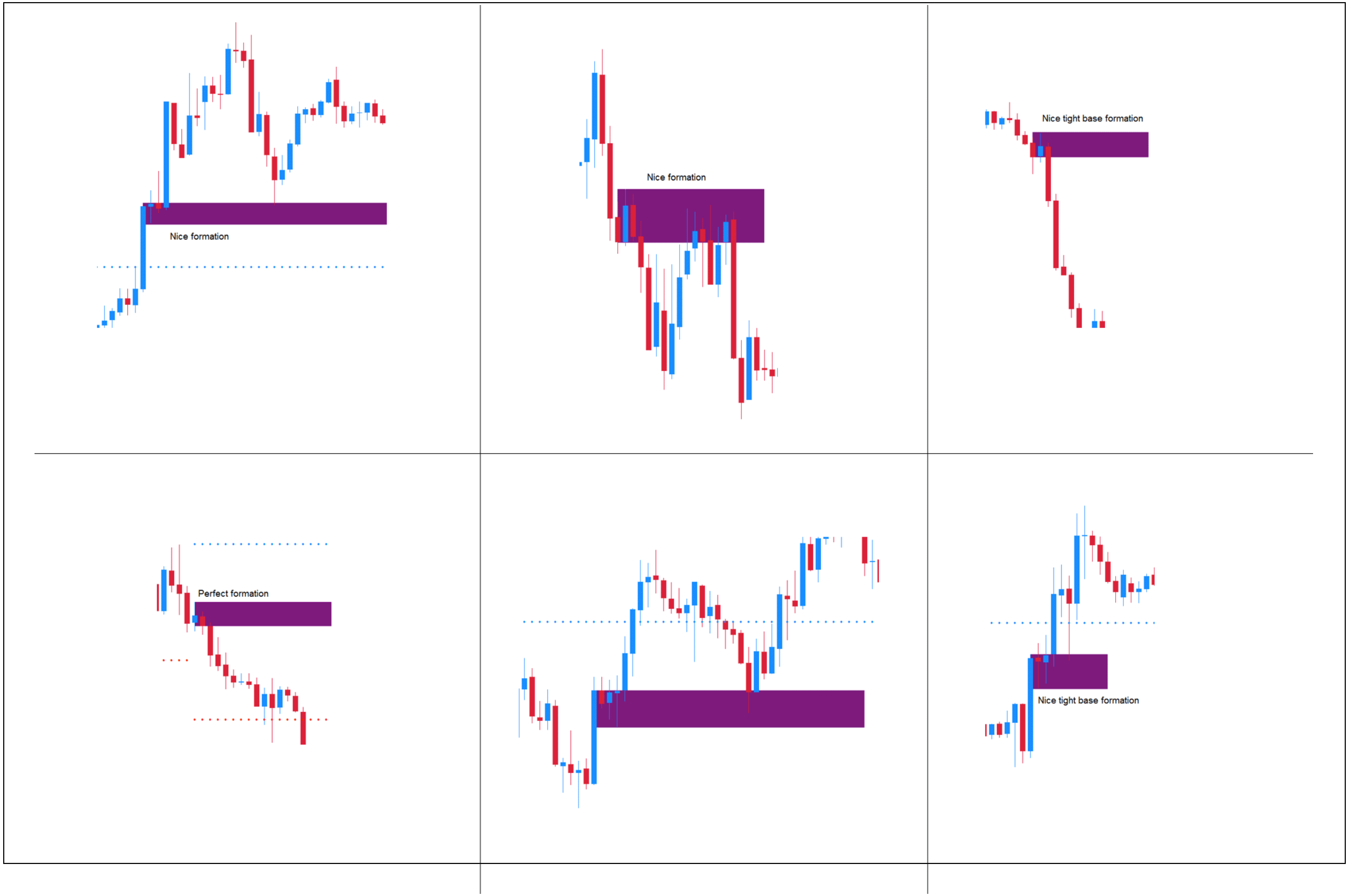
- D1 supply broken, now flip area of demand and support
- Last week highs right within the flip zone. You can easily see them by using the SupportAndResistance indicator



COLLECTION OF VALID CP PATTERNS FORMATIONS

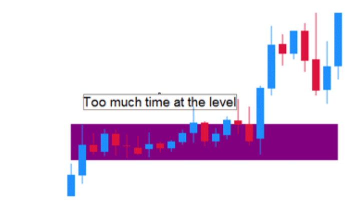
This is a collection of the type of bases you should be looking for as far as CP patterns is related.




Nice formation
Nice formation
Nice tight base formation
Perfect formation
Nice tight base formation

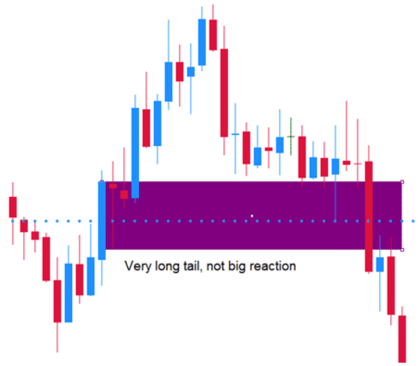
COLLECTION OF NON VALID CP PATTERNS FORMATIONS

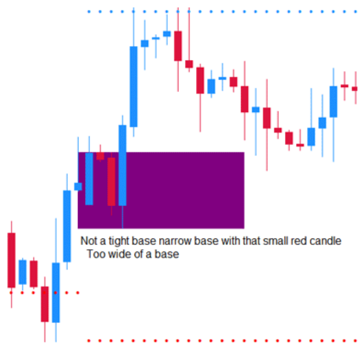
This is a collection of the type of bases you should avoid when trading CP patterns.



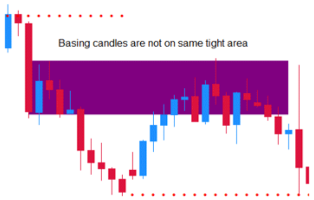




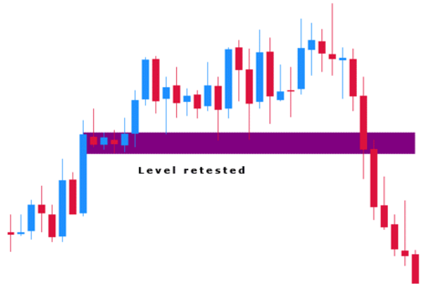


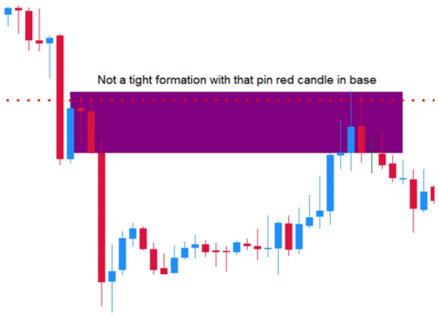




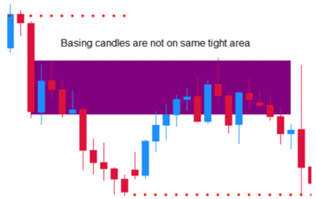

Basing candles are not on same tight area

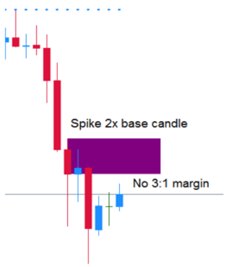

long tails in the area, not good

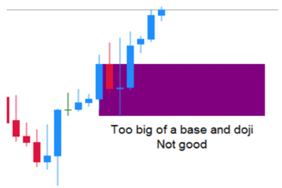

Level retested

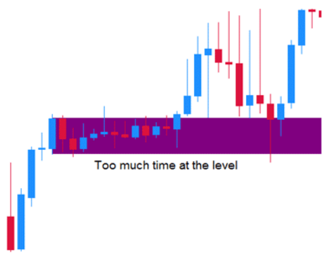

Not a tight formation with that pin red candle in base


Not a blue candle in the base


Basing candles are not on same tight area


Spike 2x base candle
No 3:1 margin

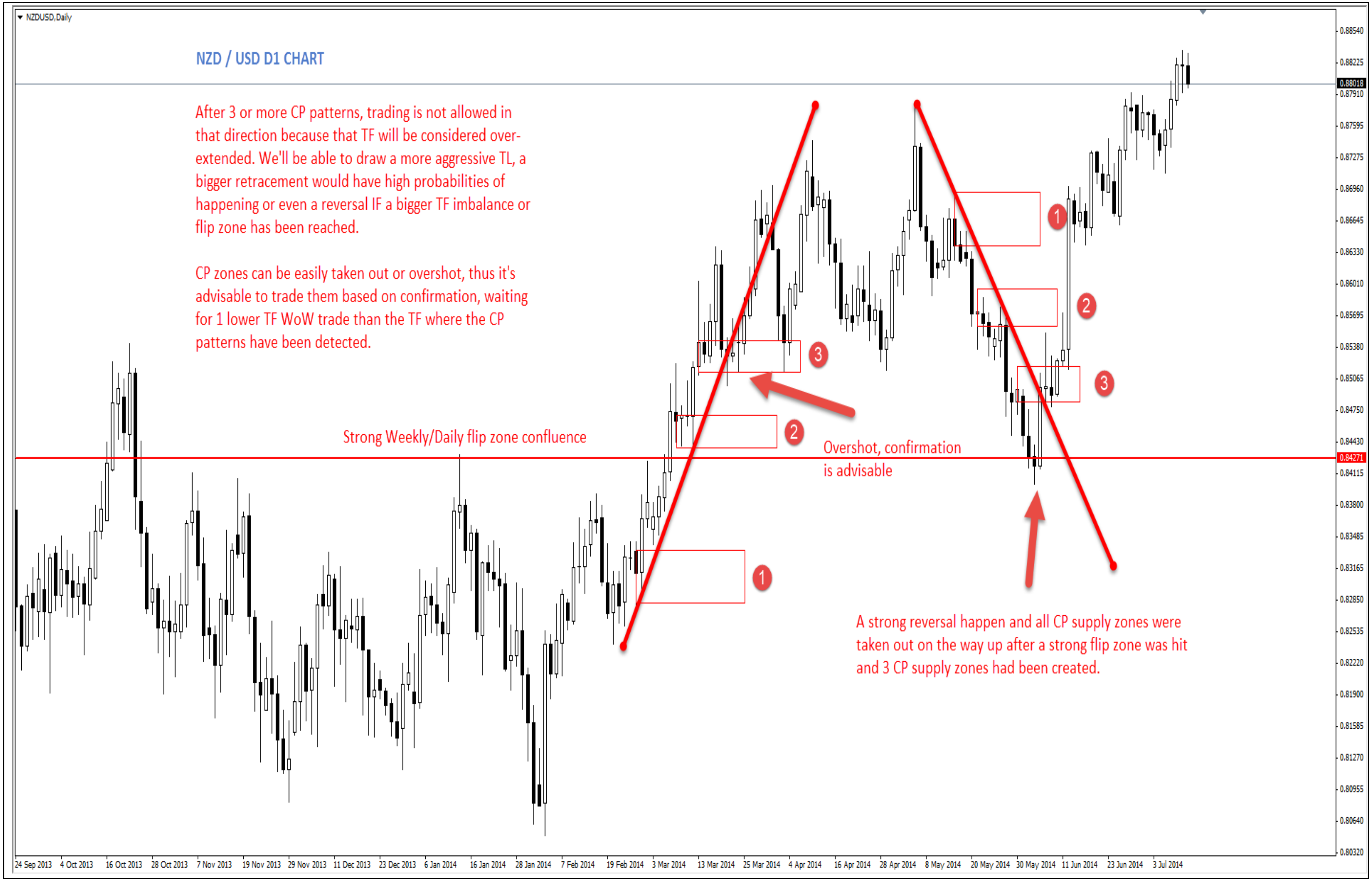

Too big of a base and doji
Not good

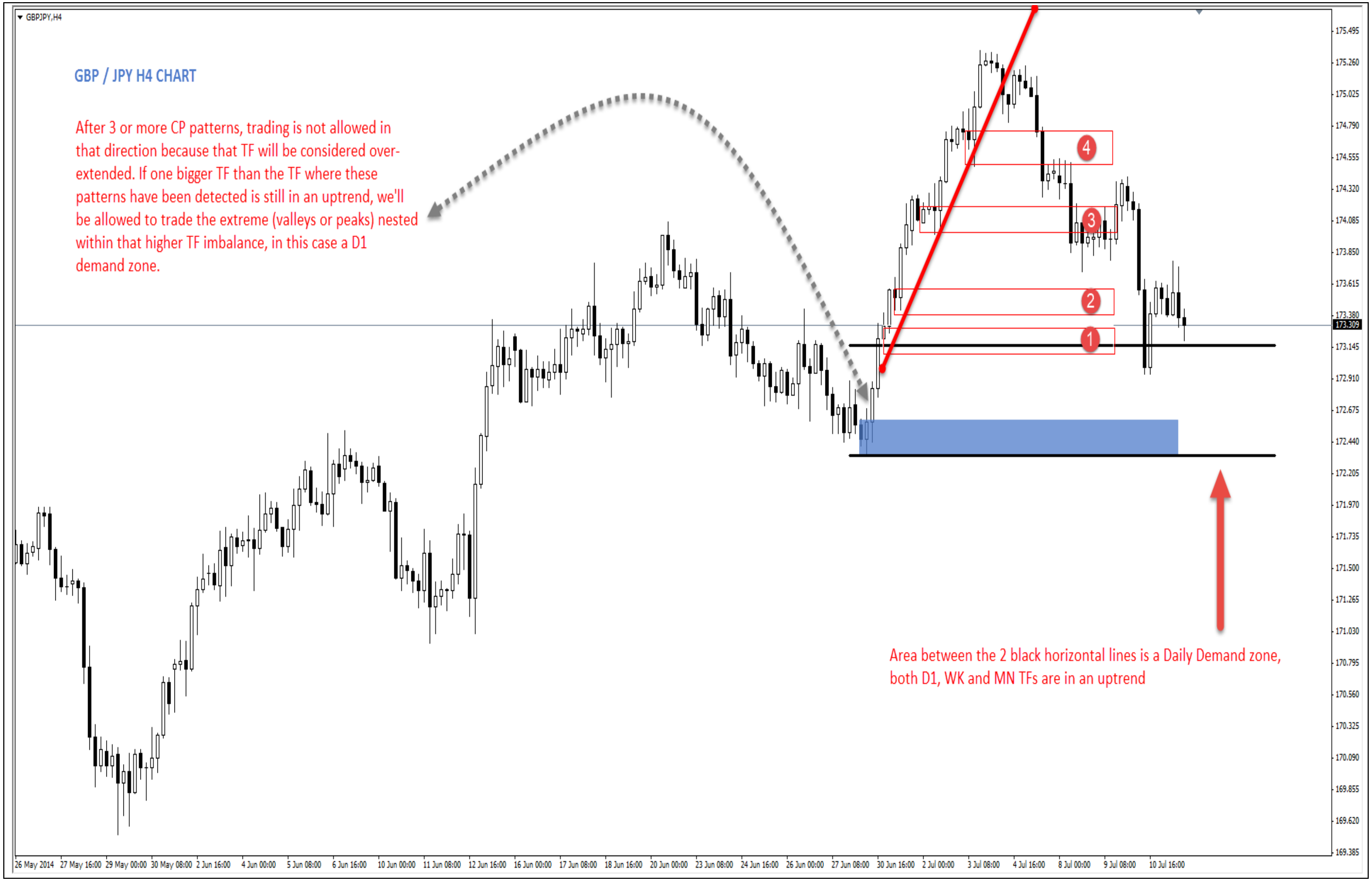

Too much time at the level

STOP TRADING IN THE SAME DIRECTION AFTER 3 CP PATTERNS HAVE BEEN CREATED

After 3 or more CP patterns, trading is not allowed in that direction because that TF will be considered over-extended. This scenario will allow us to draw a more aggressive TL, a bigger retracement would have high probabilities of happening or even a reversal IF a bigger TF imbalance or flip zone has been reached.

CP zones can be easily taken out or overshot, thus it's advisable to trade them based on confirmation, waiting for 1 lower TF WoW trade than the TF where the CP patterns have been detected. Do not regret if you see one of those CP patterns work and you didn't take it, we all want to follow rules as mechanical as possible, we want to focus on the rules and not on the exceptions to those rules. Trading is very easy if we look at the charts in hindsight where we can easily see what has happened and patterns have worked or not.


NZDUSD,Daily
NZD / USD D1 CHART
After 3 or more CP patterns, trading is not allowed in that direction because that TF will be considered over-extended. We'll be able to draw a more aggressive TL, a bigger retracement would have high probabilities of happening or even a reversal IF a bigger TF imbalance or flip zone has been reached.
CP zones can be easily taken out or overshot, thus it's advisable to trade them based on confirmation, waiting for 1 lower TF WoW trade than the TF where the CP patterns have been detected.
Strong Weekly/Daily flip zone confluence
Overshot, confirmation is advisable
A strong reversal happen and all CP supply zones were taken out on the way up after a strong flip zone was hit and 3 CP supply zones had been created.


GBPJPY,H4
GBP / JPY H4 CHART
After 3 or more CP patterns, trading is not allowed in that direction because that TF will be considered over-extended. If one bigger TF than the TF where these patterns have been detected is still in an uptrend, we'll be allowed to trade the extreme (valleys or peaks) nested within that higher TF imbalance, in this case a D1 demand zone.
4
3
2
1
Area between the 2 black horizontal lines is a Daily Demand zone, both D1, WK and MN TFs are in an uptrend

Multiple Timeframe Analysis

What is multiple timeframe analysis? What is a top down analysis?

Most technical traders in the forex and futures markets, whether they are novices or seasoned pros, have come across the concept of multiple timeframe analysis in their educations. However, multiple timeframe analysis is often the first level of analysis to be forgotten when a trader pursues an edge over the market.

Multiple timeframe analysis involves monitoring the same currency pair across different timeframes. While there is no real limit as to how many timeframes can be monitored, or which ones to choose, there are general guidelines that we should follow as a trader.

Using three different timeframes gives a broader view of any market. Using fewer than this can result in a considerable loss of data, while using more typically provides redundant analysis and indecision. When choosing the three timeframes, a simple method can be to follow the rule of four. This means that a medium-term timeframe should first be determined and it should represent a standard as to how long the average trade is held. From there, a shorter term time frame should be chosen and it should be at least one-fourth the intermediate timeframe for example, a H1 timeframe for the short-term time frame and H4 timeframe for the medium or intermediate time frame. Through the same calculation, the long-term timeframe should be at least four times greater than the intermediate one, so keeping with the previous example, the Daily chart would be the third timeframe.

Below is just an example for a Position timeframe combination.

TYPE OF TRADE	MONTHLY	WEEKLY	DAILY	H4	H1
1. POSITION	↑	↓	--	--	--
2. POSITION	↑	↑	↓	--	--

1. Monthly is up, weekly is down. WK has lost momentum and in either consolidation or a downtrend. We need to wait for price to realign with the MN uptrend at a MN demand area

2. Monthly and Weekly timeframes re up, D1 is down. D1 has lost momentum, it's in either consolidation or a downtrend. We need to wait for price to realign with the WK and MN uptrend's at a WK demand area, because the WK is the closest TF in an uptrend

Look for nested D1 zones within the WK and MN timeframes for your position type of trades
Highlighted cells show the timeframe we need to be looking at for an entry in the sequence.

It is imperative to select the correct timeframes when choosing the 3 periods. Clearly, a long-term trader who holds positions for months will find little use for M15 chart, H1 and H4 combination. At the same time, a intraday trader who holds positions for hours and rarely longer than a day would find little advantage in daily, weekly and monthly combinations. This is not to say that the long-term trader would not benefit from keeping an eye on the H4 chart or the short-term trader from keeping a daily chart in the selection.

Putting it all together

When all three timeframes are combined to evaluate a currency pair, you will easily improve the odds of success for your trades, regardless of the other rules applied. Performing the top down analysis helps you trading with the larger trend, what we call the bigger picture. This alone lowers risk as there is a higher probability that price action will eventually continue on the longer trend. The confidence level in a trade should be measured by how the timeframes line up (the sequence) in this top down analysis. For example, if the larger trend is to the upside but the medium- and short-term trends are heading lower, shorting the market is not a good idea, you should be cautious with your profit targets and stops if you decide to take a trade. Alternatively, you may decide to wait until a higher timeframe demand area has been reached before you decide to join the longer term uptrend.

Timeframe's combinations

Multiple timeframe analysis is paramount when trading any strategy, supply and demand is not an exception. We can use a 2 timeframes or 3 timeframes combination for our entries. A minimum of 3 timeframes combination is required if trading lower timeframes, and advisable if trading bigger pictures, it will allow you to apply the realignment and sequence rules with more accuracy.

Many of the trade setups are not black and white. Rules set may apply 70% or more, and then 'other' more intuitive factors have to be included in the decision to take the trade or not.

The type of trader you are, the sequence that you use, is one of those factors. It will determine the type of trades that you take, how long you hold them and when you manage them. Once you have accepted which type of trader you are, you should accept and be happy to ignore/miss trades that do not follow your sequence, and take only those that your condition as a trader and trading plan allow you to take.

How to choose your timeframe combination and sequence

Each timeframe can have a different trend. Price is fractal. Fractal meaning that there are structures within structures, the same patterns repeat all over on all timeframes when we drill down a candle on any timeframe. Multiple timeframe analysis is needed to make a high probability decision.

The best combinations for trading multiple timeframe analysis are those that use a common multiplier, in our case 4-5. Any multiplier or scale can be used but we need to keep it consistent over the timeframes we select for our sequence.

By using similar scales, we make sure that the difference between chosen timeframes are minimal, the "fractality" of candles will match better if we use very different scales for our chosen timeframes. This is why using combinations like WK, D1 and M30 make no sense, the scale factor is broken.

Price is Fractal because a candle can be multiplied or divided to obtain either a LTF or HTF Candle. [From a Math point of view]

- 24 x H1 Candles = 1 Daily Candle
- 6 x H4 Candles = 1 Daily Candle
- 5 x Daily Candles = 1 Weekly Candle
- 4 x Weekly Candles = 1 Monthly Candle

This is why the exact same TL rules can be drawn and applied on different time frames because all the candles are basically derived (multiplied or divided) by a similar scale, so the fractality of price and nature can be applied to them.

SWING TRADING CONFIGURATION #1, THE SEQUENCE:

Timeframe's combination for medium-term setups. This setup uses the Sequence,

- **BIG PICTURE timeframe: Monthly chart** as our supply/demand curve and bigger picture direction
- **INTERMEDIATE CURVE: Weekly chart** as your intermediate supply/demand curve and bigger picture direction
- **INTERMEDIATE DIRECTION: Daily chart** as your main direction. We need at least D1 direction for our H4 swing entry
- **EXECUTION and trade management timeframe: H4 chart**

  - This is the chart where we should draw and pick our levels up, where we will set our limit orders. If the H4 level is too wide, we can drill it down by using either a fix number of pips (for instance a 40 pips on EURUSD for H4 charts) or a third timeframe to fine tune our entry. I will not zoom in and look for levels on lower timeframes above or below that area because it's the H4 area that interests me, if the level itself is on H4 then I have to base my decisions on this timeframe, the one I use for my entries as defined here. Otherwise we'll end up chasing the trade and finding what we want to see on the charts, not what the market has to offer us at that particular area
  - **This is also the chart where we will manage our trades since it's our entry TF**, we'll use technical SL to move our SL above/below new H4 SD areas.
  - FINE TUNING timeframe (optional): H1. I hardly ever use this third timeframe, will never go lower than H1 to locate fine tune my entries, but maybe you will feel comfortable adding it.

SWING TRADING CONFIGURATION #2:
Timeframe's combination for medium-term setups

- **BIG PICTURE timeframe: Weekly chart** as our supply/demand curve and bigger picture direction
- **EXECUTION and trade management timeframe: H4 chart**

- This is the chart where we should draw and pick our levels up, where we will set our limit orders. If the H4 level is too wide, we can drill it down by using either a fix number of pips (for instance a 40 pips on EURUSD for H4 charts) or a third timeframe to fine tune our entry. I will not zoom in and look for levels on lower timeframes above or below that area because it's the H4 area that interests me, if the level itself is on H4 then I have to base my decisions on this timeframe, the one I use for my entries as defined here. Otherwise we'll end up chasing the trade and finding what we want to see on the charts, not what the market has to offer us at that particular area
- **This is also the chart where we will manage our trades**, we'll use technical SL to move our SL above/below new H4 SD areas.
- FINE TUNING timeframe (optional): H1 or M15 chart. I never use this third timeframe, will never go lower than H1 to locate fine tune my entries, but maybe you will feel comfortable adding it.

POSITION TRADING CONFIGURATION #1, THE SEQUENCE:
If we choose to focus on the D1 SD levels as your entry timeframe then switch to this longer term combination.

- **BIG PICTURE timeframe: Monthly chart** as our supply/demand curve and bigger picture direction
- **INTERMEDIATE DIRECTION: Weekly chart** as your intermediate direction and part of the top down sequence analysis
- **EXECUTION and trade management timeframe: D1 chart**
- This is the chart where we should draw and pick our levels up, where we will set our limit orders
- **This is also the chart where we will manage our trades**, we'll use technical SL to move our SL above/below new D1 SD areas.
- FINE TUNING timeframe (optional): H4 chart if the D1 is too big

POSITION TRADING CONFIGURATION:

If we choose to focus on the D1 SD levels as your entry timeframe then switch to this longer term combination

- **BIG PICTURE timeframe: Monthly chart** as our supply/demand curve and bigger picture direction
- **EXECUTION and trade management timeframe: D1 chart**
- This is the chart where we should draw and pick our levels up, where we will set our limit orders
- **This is also the chart where we will manage our trades**, we'll use technical SL to move our SL above/below new D1 SD areas.
- FINE TUNING timeframe (optional): H4 chart if the D1 is too big

INTRA-SWING TRADING CONFIGURATION:

- If we choose to use H1 levels as your entry timeframe, then we will switch to this timeframe combination:
- **BIG PICTURE timeframe: Daily chart** as our supply/demand curve and bigger picture direction
- **EXECUTION timeframe: H1 chart**
- This is the chart where we should draw and pick our levels up, where we will set our limit orders
- **This is also the chart where we will manage our trades**, we'll use technical SL to move our SL above/below new H1 SD
- FINE TUNING timeframe (optional): M15 or M5 chart. I never use this third timeframe, will never go lower than H1 to locate fine tune my entries, but maybe you will feel comfortable adding it.

NOTE: H1 timeframe can also be used for swing trading as long as you use this chart to drill down your entry at a higher timeframe supply demand area. It all depends on your style of trading. H4 levels will give you more time

VERY IMPORTANT: CONCENTRATE ON ONE SINGLE TIMEFRAME COMBINATION

- **Choose only one of the combinations** described above, either Swing, Position or Intra-Swing trading, AND stick to it.
- **Hide the timeframe buttons you are not going to use** on Metatrader's top toolbar, only be aware of those you choose, that's all. You will see that in short you will start improving because your mind will not have to take into account so many timeframes and information.

- **Normally there will be D1 SD areas within a Weekly SD area**. So concentrate on at least 2 timeframes, choose the combo you like the most. D1/H1 for intra-swing trading, and WK/H4 for longer term swing trading, and don't even look at the other timeframes
- Use trendlines as a filter for assessing the trend
- Use the Supply and Demand spreadsheet I created, as well as the **rectangle extender indicator**, that should put you on the right track in a few weeks

JUST DO IT! Don't find excuses not to do it, hide those timeframes you are not going to use and concentrate on only those that you will, that simple. The D1/H1 is a VERY powerful combination, start with that one and HIDE all the other timeframes, that should help you and others with your same problem a LOT.

You MUST have very strict rules or you will be lost in a loop, and your equity will not grow. **95% of your success is at controlling your emotions and managing your exits correctly**, the entries are not the problem, the exits and your head are. And that can be solved by having very strict set of rules and following them.

Momentum trades versus Location trades

We have to take into consideration a very important matter when trading any multiple timeframe combination, Monthly/Daily, Weekly/H4, so on and so forth.

There are 3 types of setups when trading supply and demand:

1. **Momentum**. High odds
2. **Location (counter-trend)**. Lowest odds. Better odds IF level is got a great imbalance, high/low in the curve, fresh & original
3. **Momentum + Location** (most powerful setup). Highest odds

For the sake of simplicity, we will choose the swing trade combo:

- ***Weekly/H4 combo***
- *Weekly is our bigger picture direction*
- *H4 is our entry/execution timeframe*

MOMENTUM SETUPS
These are setups taken on your MTF combination's entry timeframe that GO WITH with the bigger picture direction, which is **trend trading,** trading with the momentum (new impulses).

SCENARIO 1:

- **Weekly bigger picture is DOWN**
  - WK demand areas are being taken out
  - WK supply areas are being respected
  - WK descending trendline can be used to connect WK downtrend ALL SAYS WE HAVE TO SHORT THE MARKETS
- **H4 entry timerame is DOWN**
  - H4 demand areas are being taken out
  - H4 supply areas are being respected
  - H4 descending trendline can be used to connect H4 downtrend
  - Still lots of room to reach opposing WK demand area

SCENARIO 1: what action to take?

  - Sell all H4 valid supply areas until we're closed to WK demand area, 10% off the WK demand area maximum

SCENARIO 2:

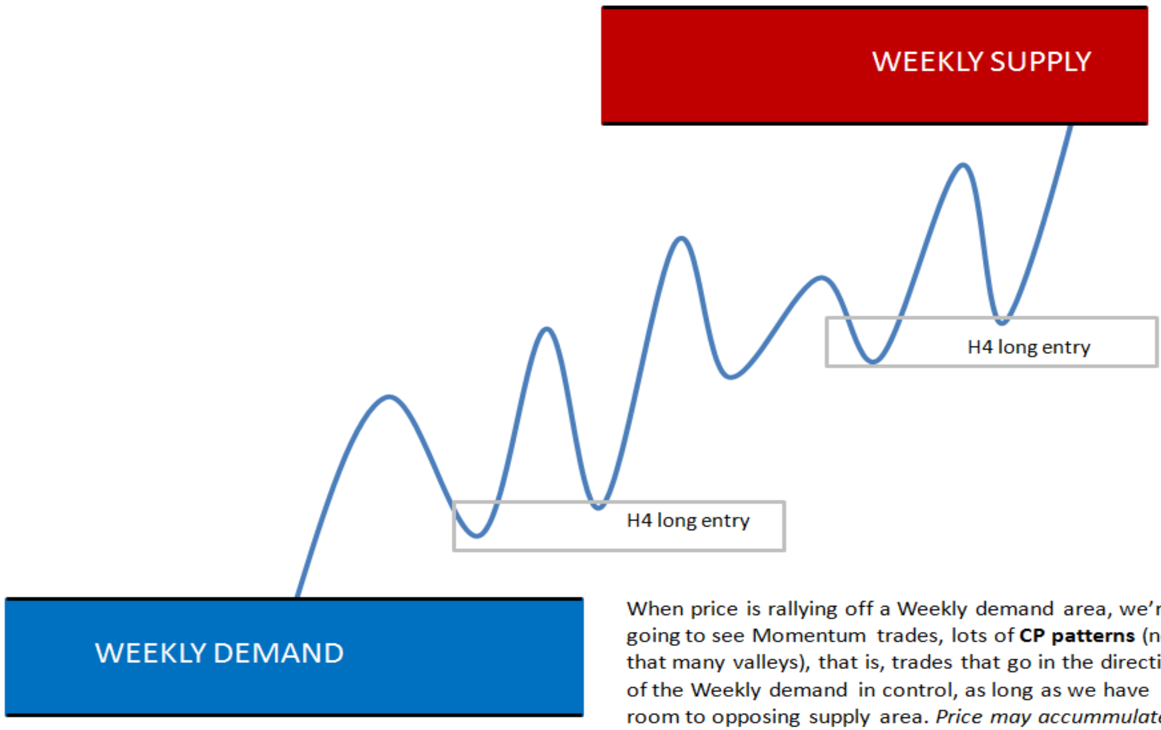
- **Weekly bigger picture is DOWN**
  - WK demand areas are being taken out
  - WK supply areas are being respected
  - WK descending trendline can be used to connect WK downtrend ALL SAYS WE HAVE TO SHORT THE MARKETS

- **H4 entry timeframe is UP**
  - H4 demand areas are being respected
  - H4 supply areas are being taken out
  - H4 descending trendline has been solidly broken to the up side
  - We no longer have a sell direction on our entry timeframe
  - H4 might probably be correcting, reverting to the mean to its higher timeframe's supply in control

SCENARIO 2: what action to take?

- We can only sell:
    - If price reaches a fresh level of supply very near or within the Weekly supply
    - OR if previous demand area and lows that broke the H4 downtrend are taken out
- Buying is not high probability setup, it could work but it would not be a swing trade since the Weekly is down so the swing trades with higher odds will be the shorts

MOMENTUM TRADE SETUP



When price is rallying off a Weekly demand area, we're going to see Momentum trades, lots of **CP patterns** (not that many valleys), that is, trades that go in the direction of the Weekly demand in control, as long as we have room to opposing supply area. *Price may accummulate (consolidate) for quite some time on a WK demand area.*

LOCATION SETUPS

These are setups taken on your MTF combination's entry timeframe that GO AGAINST the bigger picture direction, that is **counter trend. This setup is the one happening at turning points in the markets.**

Location setups DO NOT take into account the direction of the bigger picture timeframe, only how high or how low we are on that TF, the altitude.

SCENARIO 1:

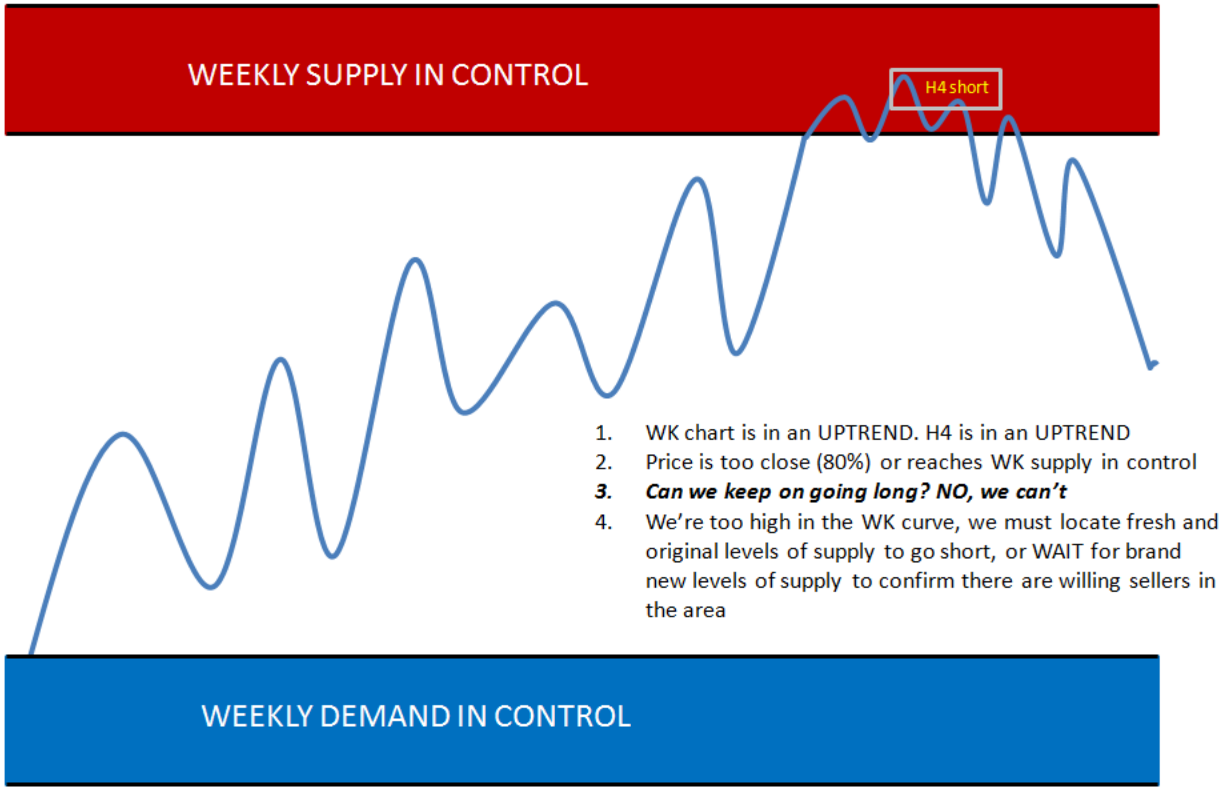
- **Weekly bigger picture is UP**
  - WK supply areas are being taken out
  - WK demand areas are being respected
  - WK ascending trendline can be used to connect a WK uptrend
  - **WK fresh and original supply zone has just been hit** (this is the crucial point in a location type of trade) ALL SAYS WE HAVE TO SHORT THE MARKETS
- **H4 entry timeframe is UP**
  - H4 demand areas are being respected
  - H4 supply areas are being taken out
  - H4 ascending trendline can be used to connect a H4 uptrend
  - Lots of room though to reach opposing WK demand area

SCENARIO 1: what action to take?

- Can we go long? Our WK bigger picture is UP, our entry TF H4 is UP, all says we have BUY
- **WE CAN'T, WE SHOULDN'T GO LONG no matter how good the H4 demand area looks like**
- We're too high in the curve, we are not allowed to go long UNLESS the WK supply is taken out OR price drops from the WK supply zone and reaches a good HTF demand area
- **Look for good H4 supply levels to short:**

- **Set and forget!** Plan a short setup on fresh AND original H4 supply zones (original levels are mandatory for counter-trend location setups)
  - If you have a more conservative approach to trading:
    - Wait for brand new H4 supply levels to be formed to confirm your short entry
    - You can optionally wait for the ascending H4 TL to be solidly broken before you decide to go short
    - You can wait for a previous H4 demand or previous support to be taken out before going short

LOCATION TRADE SETUP



LOCATION + MOMENTUM SETUPS
These are trades taken on your MTF combination's entry timeframe that GO WITH the bigger picture direction AND are located right within a HTF SD area.

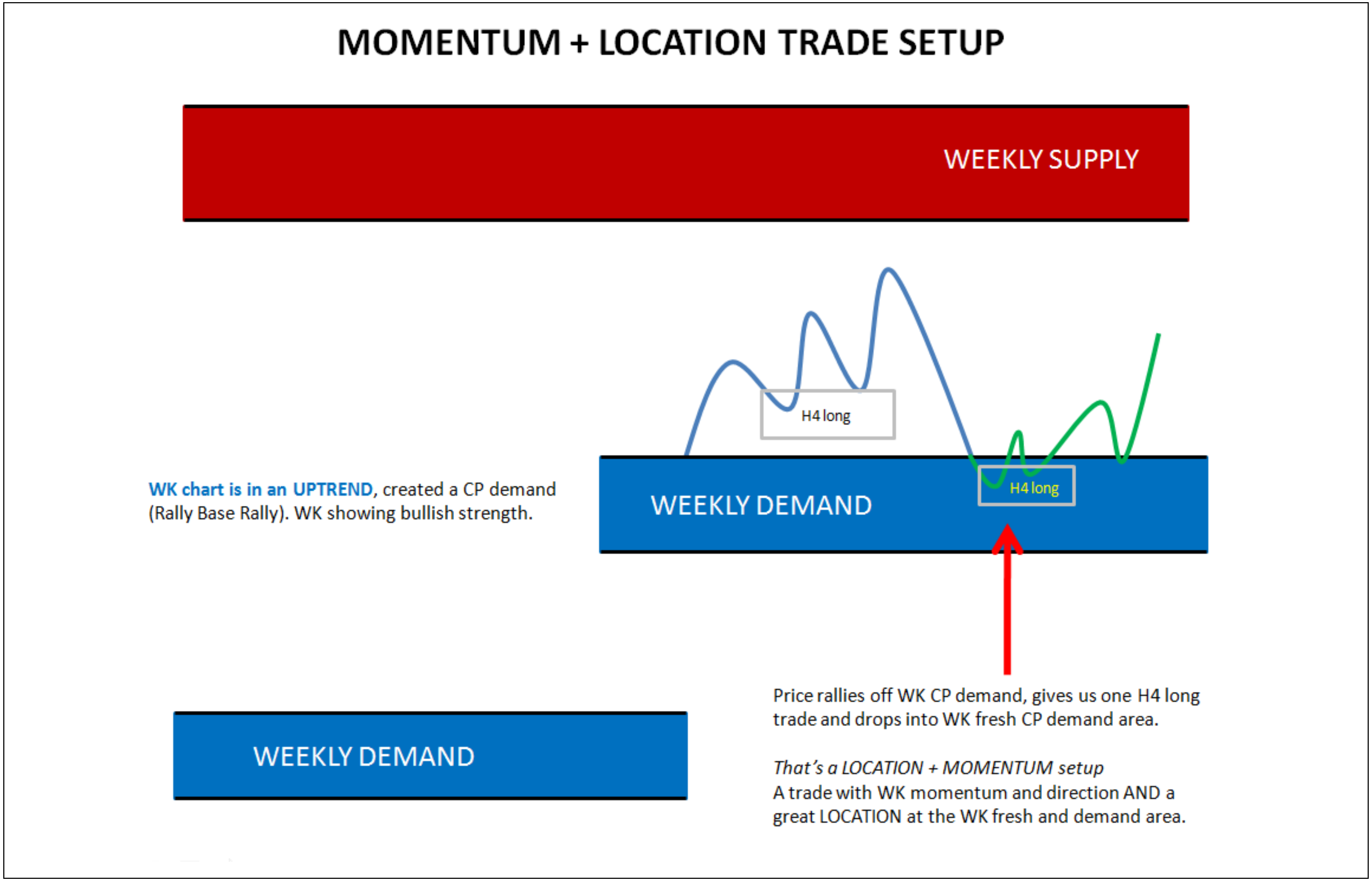
Location + momentum setups are the most powerful setups because they have both setups together in a trade, both the momentum (impulses) and being located at a HTF are trading with the bigger picutre.

SCENARIO 1:

- **Weekly bigger picture is UP**
    - WK supply areas are being taken out
    - WK demand areas are being respected
    - WK ascending trendline can be used to connect WK uptrend ALL SAYS WE HAVE TO BUY THE MARKETS
- **H4 entry timeframe is DOWN**
    - H4 demand areas are being taken out
    - H4 supply areas are being respected
    - H4 descending trendline can be used to connect H4 downtrend
    - WK demand area is 50 pips away
    -

SCENARIO 1: what action to take?

- Can we go short? NO
- **WE CAN'T, WE SHOULDN'T GO SHORT no matter how good the H4 CP or PEAK supply area looks like**
- We're too low in the curve, WK is in an uptrend and we are approching a fresh WK demand area
- **Look for good H4 demand evels to go long:**
    - **Set and forget!** Plan a long setup on fresh H4 demand zones, if original even better
    - If you have a more conservative approach to trading:
        - Wait for brand new H4 demand levels to be formed to confirm your long entry
        - You can optionally wait for the descending H4 TL to be solidly broken before you decide to go long
        - You can wait for a previous H4 supply or resistance to be taken out before going long


MOMENTUM + LOCATION TRADE SETUP
WEEKLY SUPPLY
H4 long
WK chart is in an UPTREND, created a CP demand (Rally Base Rally). WK showing bullish strength.
WEEKLY DEMAND
H4 long
WEEKLY DEMAND
Price rallies off WK CP demand, gives us one H4 long trade and drops into WK fresh CP demand area.
That's a LOCATION + MOMENTUM setup
A trade with WK momentum and direction AND a great LOCATION at the WK fresh and demand area.

I know its very difficult to put exact rules on supply & demand because all times frames are relative within the whole supply & demand logic. The largest time frame is the strongest (monthly) & the 60 min is the weakest. So that's why a top down analysis is done. For example: If you are using the weekly/240 combo & want to take the highest possible odds on a trade, & we are trading long with the weekly trend (higher highs/higher lows), you would wait till price has retraced back to weekly demand before looking for 240 long setups. Now there are two ways to look for 240 long setups.

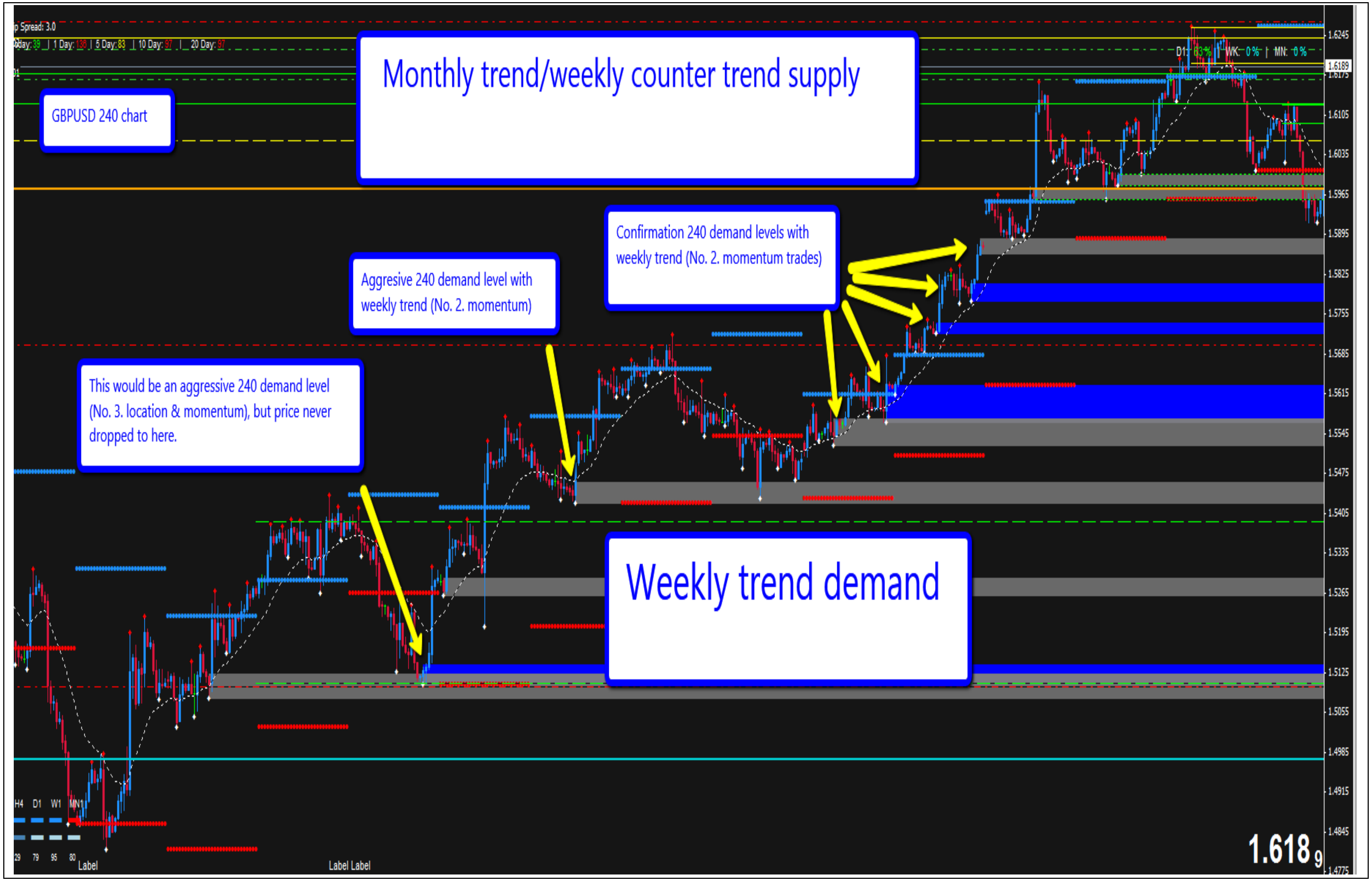
1. **Aggressive -** Counter trend 240 demand levels in sync with weekly trend demand (see chart below)
2. **Confirmation -** With trend 240 levels (wait for new 240 demand to form, higher highs, higher lows) So the 240 trend demand is now in sync with the weekly trend demand.

Now we still have to know where we are on the monthly time frame because what if we are buying after price is reacting to a monthly trend supply where traders are shorting daily trend supply levels. This is where it can get confusing or contradictory. So what you have to do is make a rule: I will not trade into or near any higher time frame supply or demand. Now in this example we are just trading 240/weekly combo, but we've hit monthly supply. What we can do is use the weekly counter trend level within the monthly to trade back down to the weekly demand with the added bonus of trading with the monthly trend. Now we would watch to see if daily demand is taken out (daily/monthly combo) So we are using 240 levels to short, as long as the daily is in a down trend & producing supply levels (lower highs/lower lows). But now your trading different rules to when your where trading with the weekly trend. You just have to understand supply & demand fully before you make or follow rules & that takes time. Now there are 3 types for trades

1. **Location (**240 levels not in sync with weekly trend & within weekly counter trend supply & demand) - lowest odds (except when into higher time frame trend levels i.e. Monthly trend supply)
2. **Momentum** (240 levels in sync with weekly trend after leaving weekly supply/demand) - good odds
3. **Location & momentum** (240 levels in sync inside weekly trend supply/demand) - **highest odds**

Each of the above have different rules on what type of levels qualify for a trade.

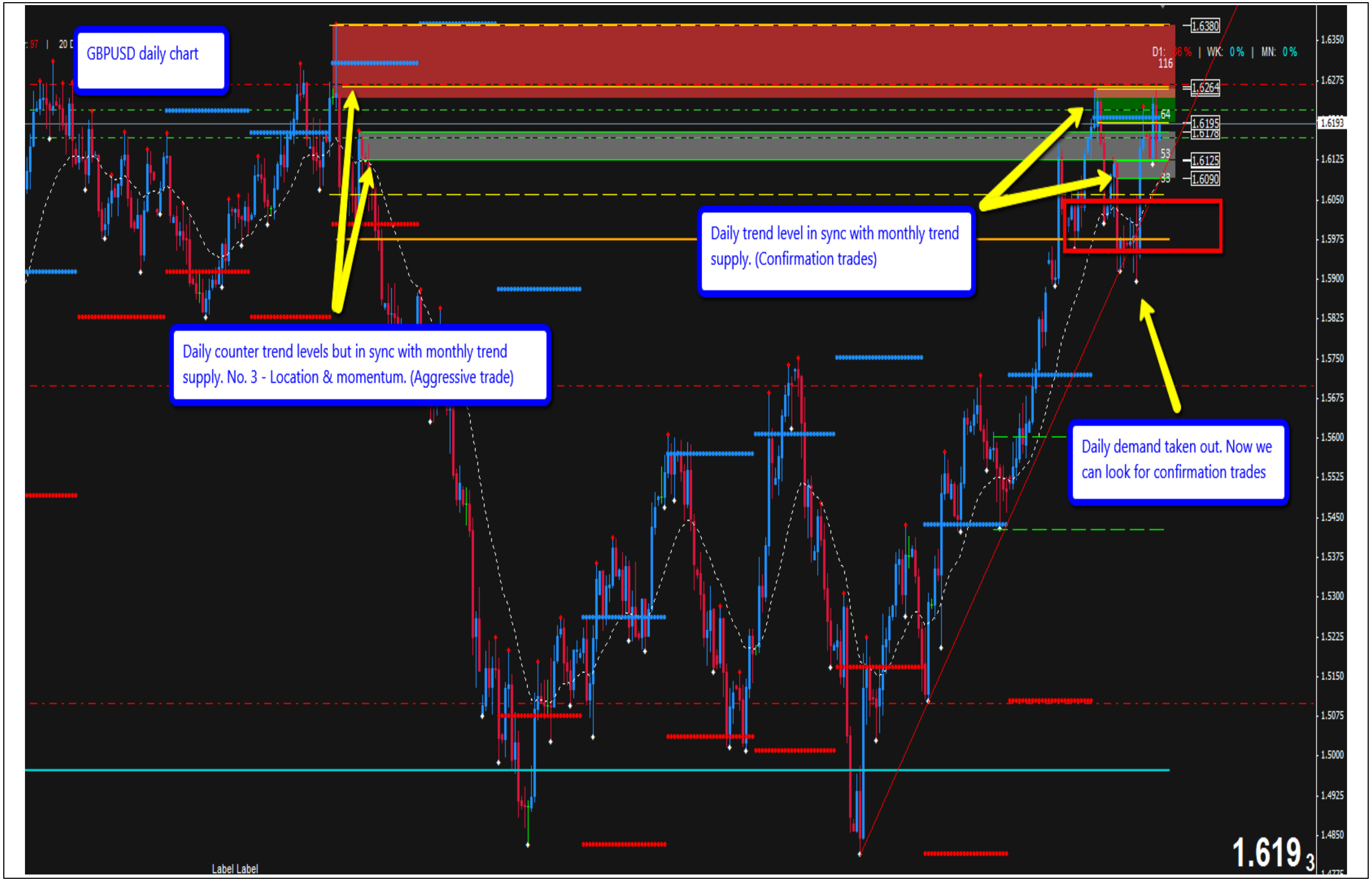
This is all explained within the classroom which is why you need to do your homework thoroughly. Like I said, it's all confusing & contradictory that's why you stick with one combo to start with & apply the 3 types of trades or you may decide to only take number 2/ momentum & number 3/ momentum & location but never take number 1/ location unless into monthly trend level. Its all down to your own understanding & experience. Alfonso will trade all of them & he will analyze the markets using all of them.

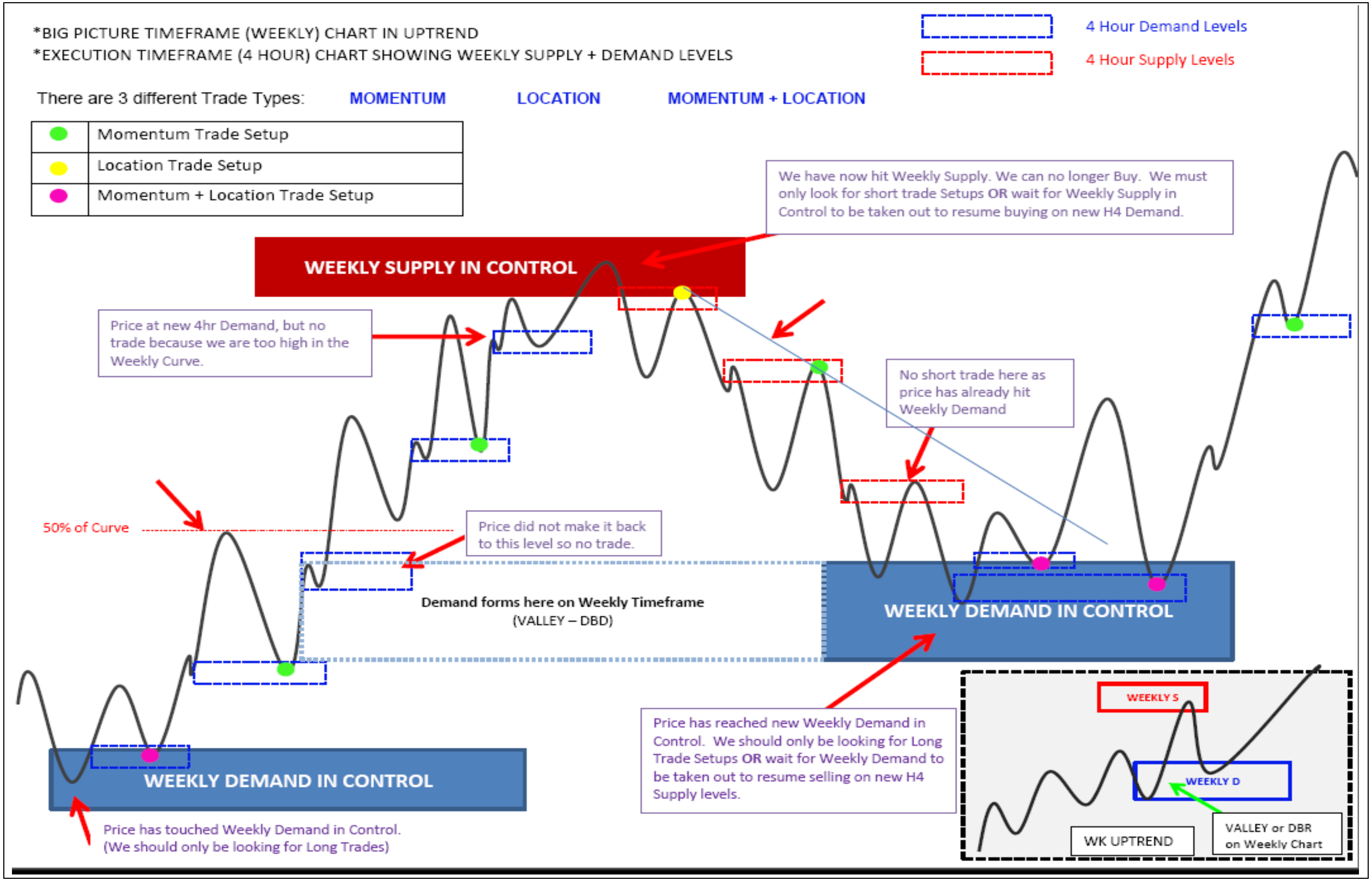


Monthly trend/weekly counter trend supply
GBPUSD 240 chart
Confirmation 240 demand levels with weekly trend (No. 2. momentum trades)
Aggresive 240 demand level with weekly trend (No. 2. momentum)
This would be an aggresive 240 demand level (No. 3. location & momentum), but price never dropped to here.
Weekly trend demand
1.618


GBPUSD Weekly chart
Weekly supply within monthly trend supply. Weekly counter trend level (No.1 - location trade for 240/weekly combo). However this is a No. 3 trade for the Daily monthly combo)
Weekly trend demand. Most entries on the 240/weekly combo would have been No. 2 - momentum only, as price did not retrace enough in weekly demand.
20 Day: 97
MN: 0%
1.6380
1.6059
1.5603
1.5428
1.5390
1.5106
321
175
284
1.619
Label Label


GBPUSD Monthly chart
Monthly Trend supply (No. 3. location & momentum for daily/monthly combo)
We can only look for shorts.
Nothing else.
1.6380
406
1.5974
1.4972
743
1.4229
1.618 3


GBPUSD daily chart
Daily counter trend levels but in sync with monthly trend supply. No. 3 - Location & momentum. (Aggressive trade)
Daily trend level in sync with monthly trend supply. (Confirmation trades)
Daily demand taken out. Now we can look for confirmation trades
1.6380
1.6264
1.6195
1.6178
1.6125
1.6090
1.619 3
Label Label


*BIG PICTURE TIMEFRAME (WEEKLY) CHART IN UPTREND
*EXECUTION TIMEFRAME (4 HOUR) CHART SHOWING WEEKLY SUPPLY + DEMAND LEVELS
4 Hour Demand Levels
4 Hour Supply Levels
There are 3 different Trade Types: MOMENTUM LOCATION MOMENTUM + LOCATION
Momentum Trade Setup
Location Trade Setup
Momentum + Location Trade Setup
We have now hit Weekly Supply. We can no longer Buy. We must only look for short trade Setups OR wait for Weekly Supply in Control to be taken out to resume buying on new H4 Demand.
WEEKLY SUPPLY IN CONTROL
Price at new 4hr Demand, but no trade because we are too high in the Weekly Curve.
No short trade here as price has already hit Weekly Demand
50% of Curve
Price did not make it back to this level so no trade.
Demand forms here on Weekly Timeframe
(VALLEY – DBD)
WEEKLY DEMAND IN CONTROL
Price has reached new Weekly Demand in Control. We should only be looking for Long Trade Setups OR wait for Weekly Demand to be taken out to resume selling on new H4 Supply levels.
WEEKLY S
WEEKLY D
WK UPTREND
VALLEY or DBR on Weekly Chart
WEEKLY DEMAND IN CONTROL
Price has touched Weekly Demand in Control.
(We should only be looking for Long Trades)

Using trendlines as direction and/or to filter out supply and demand levels

We will use Trendlines as a mechanical tool that will allow us to interpret market dynamics of the timeframe being analyzed in the same way over and over, we need a consistent and mechanical way to assess the trend in multiple timeframes and locate the Sequence. Once we locate and evaluate the Sequence and which TF price is bouncing off, we'll be able to also locate the high odds WoW trade setups (Trendline break).

You can decide not to use the Trendlines to trade, if you do so you will have to lean purely on the imbalances that you see on the charts. There are many SD traders that do that. Doing it that way you won't have the aid and guidance of a mechanical methodology that will dictate where you can set and forget or just wait for a WoW trade, or do nothing. You are the one to choose which way to go. Rules are there to create your trading plan depending on what kind of trader you are, but it's up to you to decide what you want to do with them.

All these rules and lessons, APPLY TO ALL TIMEFRAMES. Price is FRACTAL.

Trendlines are like traffic lights, giving us the green or red light to continue in the same trading direction or just waiting for one bigger timeframe zone as dictated by the Sequence and Realignment rules

1. **Trendlines will be drawn on multiple timeframes to assess direction and evaluate the Sequence and Realignment**, that is, the timeframe where your orders will be placed
2. **We need 2 OBVIOUS valleys (uptrend) or peaks (downtrend) are needed** in order to draw a trendline or 3 consecutive CPs to draw a steeper and more aggressive TL
3. **Update, Update, Update. Use always the last 2 obvious valleys and peaks in order to draw a trendline**. If there is a third obvious peak/valley that matches the previous 2 ones, we would extend the TL to it, that would mean the trend direction is even stronger.
4. **A CP level will NOT be taken into account to draw a trendline** unless there are 3 or more consecutive CP patterns a
5. A Buy setup with an ascending trendline will be invalidated when we have at least 1 full candle (Open, Close, High and Low) is closed below the trendline
6. A Sell setup with a descending trendline will be invalidated when we have at least 1 full candle (Open, Close, High and Low) is closed above the trendline

7. **Trendlines on entry timeframes (H4 and H1) will no longer be valid once a higher timeframe (D1 and above) or a HTF TL have been reached**. Higher timeframes supply and demand areas are potential turning points in the market, so the Trendline is no longer useful or valid at these areas
8. If price hits a higher timeframe SD area and starts reacting to it, the new trendline can't be painted until we have at least 2 peaks or valleys, thus, we'll be trading like a robot on brand new areas formed on our entry TF (specially CP)
9. If our entry within is a higher timeframe zone and we have a loss, if we still want to trade within that area again, we will need price to penetrate it deeper so it can reach the unfilled orders, if any is left. Unless price goes in the direction we wanted and new areas are formed
10. **Do not sell when price is very near or at a higher timeframe ascending trendline (D1 or higher),** opposite for buying. The same logic that applies to your entry timeframe, applies to higher timeframe trendlines
11. **The break of a trendline does not necessarily mean that the retest of a SD zone near or at the retest of the broken trendline will be valid.** A TL breaks needs the confluence of a reaction to a 1 higher timeframe or a strong flip zone. A TL break out of nowhere is not not used
12. **Do not trade the break of a trendline just because it's just been broken**, we need to assess location in the curve
13. **If we have a valid trade setup on our LTF entry but price is near or at a HTF trendline that has not been broken yet, stay out of that trade**. Wait for the HTF TL to be broken before you trade. Another thing would be that you are already in a trade, you would lock in some profits, and be protected in case you want to try and hold your trade and see if the TL is broken to get a bigger reward. Do not add any trades once you are close to a respected HTF TL

The Trendline formation and drawing is independent from what price action has accomplished. That is, there is no rule that states that in order to draw a TL we need to take out an opposing zone.

A trendline break is not a MANDATORY rule. A TL break is just a way of filtering out certain zones in a mechanical way, a simple way to mechanically and consistently filtering out levels.

You can decide not to use TLs to filter out levels, it's up to each of you. I do use them because I've tested them and even though I will miss some nice opportunities, I know that it will keep me out of lots of losses.

I placed all that on a balance and I decided that I prefer to use the TLs for these 2 reasons:
1. TLs allow to filter out levels in a very mechanical way
2. The use of TLs practically removes all of the emotion when picking up a level

If these reasons are not enough for you, then you can skip the use of Trendlines. Each trader has to find what it fits him the best to his style. You can use whatever variable or methodology to filter out SD levels. I am using TLs and the curve. But be careful with what you use or stop using. Before adding a new rule to your set of rules, you first need to test it over and over and over for a decent period of time, with a minimum of 500 samples per new variables... then make a decision!

WHEN TO TWEAK THE TRENDLINE RULE

There are moments when the trendline rules can be tweaked, these tweaks are made after a logical and common sensical pair analysis.

There are certain variables or confluences that will influence on how to deal with trendlines and supply demand levels, they are listed here:

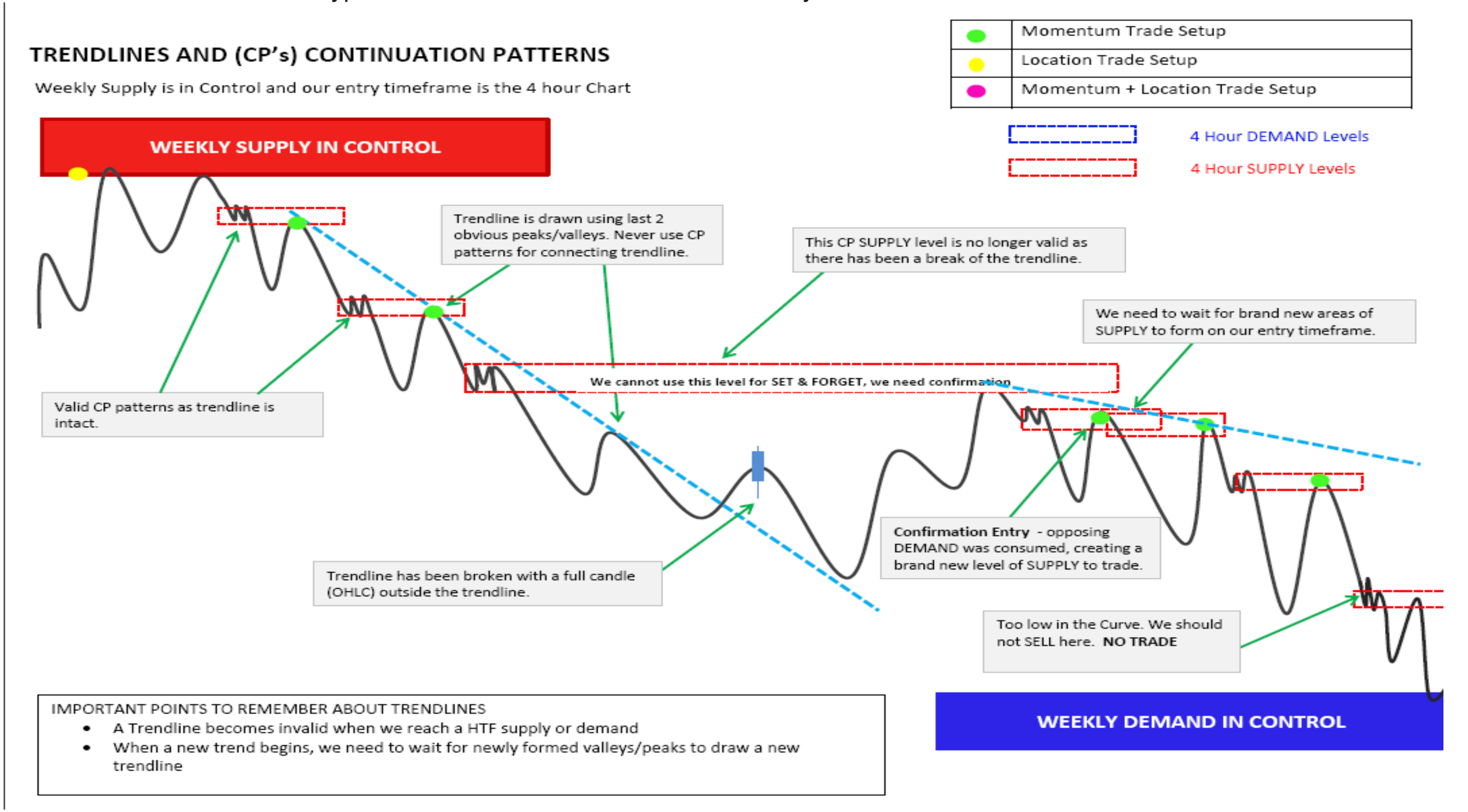
- Recent **last month high/low**
- Recent **last week high/low**
  both are shown by the SupportAndResistance indicator you can download from the Indicators channel. The last month/week's highs/lows are classic support and resistance areas
- **Flip areas.** Areas where supply has become demand and demand has become resistance

When price is at or very near to these areas, you should not go against them.

You can do one of these three things:

1. **Skip it.** Don't trade it
2. **Wait for a reaction to the SR area** and trade in the direction of the reaction
3. **Look for an obvious and decent SD level right at the area of confluence** with the last month/week HL or flip area

- The Screenshot shows:
    - How CPs are great patterns to trade when we are trending
    - When a TL is considered broken, levels outside its range will be negated
    - How levels too close to HTF SD in control are not high probability
    - How Momentum type of trades are associated with the entry and curve's timeframe direction



The Sequence: Realignment and Nested Zones

The Sequence and The Realignment concepts are a mechanical approach to top down analysis we can use that will allow us to do the same kind of analysis over and over again, thus reinforcing the rules and our beliefs in what the rules we're trading. We must first know what the trend is on each and every timeframe from the Monthly down to our entry timeframe (H4 or D1), or even lower if you want to trade lower timeframes.

NESTED ZONES

Nested zones are supply and demand imbalances that are located within a higher timeframe zone than the one where the imbalance has been detected. These nested zones can be used to lower our risk by drilling the entry timeframe to a smaller zone at a lower timeframe. For example:

- A H4 demand zone within a D1 demand which is at a WK demand zone with the WK/MN in an uptrend is a way to drill down our entry to have a lower $ risk entry at a much narrower level
- A D1 demand zone within a WK demand zone with a WK/MN uptrend is a good way to reduce our entry level for a lower $ risk entry

For a zone to be considered nested, does the LTF zone has to have both their distal and proximal lines inside the HTF zone, or can the LTF have only the distal line inside the HTF and still be considered nested?
The nested LTF zone may straddle the HTF zone: eg a nested D1 DZ within a WK DZ - the D1 DZ may have its proximal line slightly above the proximal line of the W DZ, subject to the D1 DZ having its distal line within the W DZ.

A nested zone will be only valid if the HTF zone within which it's nested is also valid (2:1 imbalance, consolidation away, correct basing formation, etc)
If we have a D DZ nested within a W DZ, then that D DZ is only valid for a D set and forget (long) IF the W DZ is valid (ie min 2:1 imbalance and min 1 bar consolidation away). ELSE: wait for a confirmation setup on the D (or H4).

If we have a D DZ nested within a W DZ, then that D DZ is only valid for a D set and forget (long) IF the W DZ is valid (ie min 2:1 imbalance and min 1 bar consolidation away). ELSE: wait for a confirmation setup on the D (or H4)

Obviously, the more times the D DZ is tested the less we expect it to hold - except when we are trading in Consolidated price action (Trading Range).
Nested zones combined with the sequence and the realignment concept is a very powerful and mechanical way of lowering the risk in our entries.

THE SEQUENCE & THE REALIGNMENT

The Sequence and the Realignment are just a mechanical way of helping us decide exactly which zone and timeframe you should be waiting at in order to plan a set and forget or confirmation trade.

These rules just state where price is most likely that a predictable move will happen. *Price can really do anything, we're talking about probability and tested scenarios/environments here*

- The main idea is to have aligned as many timeframes as possible in the same direction
- We start our analysis from the highest timeframe in our selected sequence and step-down timeframes until you find the first timeframe where the trend has been broken.
- Once we have located the timeframe that has lost momentum and alignment, we will need to switch to 1 timeframe higher than the one where the trend is broken, and wait for price to hit a valid area to keep on trading in the direction of the higher timeframe's and realign with the HTF sequence and trend

POSITION SETUPS: only 2 timeframes are needed for the sequence in order to locate the next valid entry. We start with the Monthly chart, we can trade the WK if we want, no need to drill it down to the D1 timeframe.
SWING & INTRADAY SETUPS: at least 3 timeframes are needed in a sequence, for instance: MN/WKD1 or WK/D1/H4/H1, etc

WHEN TO SET AND FORGET YOUR TRADES IN A SEQUENCE

The sequence will be used to locate the next possible set and forget trade. We want to trade with the bigger picture's direction so that we have higher odds of success in our trades. The screenshots below show a quick snapshot of what you should be looking for to locate and plan a trade based on the Sequence and Realignment.

For example:

1. **MN, WK and D1 are up, H4 is down.** We won't set and forget long trades until we reach the D1 area of demand, if we have room and good short setups, we might try to counter-trend (lower odds), but watch the last week/month lows/highs and make sure you have enough profit margin for at least 3 or 4:1
2. **MN and WK are up, D1 is down.** We won't set and forget long trades until we reach a WK area of demand, all longs will be based on confirmation and WoW trades (lower odds though). Why? The WK demand will act as a "magnet" that will tend to attract price with a high probability, this going long in "set and forget" mode is not very wise
3. **MN is up, WK is down.** Price must reach the MN demand before we set and forget our long trades, price will tend to realign with the MN uptrend at a MN demand if WK is down. Any longs before that happens are not high odds, high odds ones will be located within the MN demand zone

NOTE: remember that **a nested zone will be only valid if the HTF zone within which it's nested is also valid (2:1 imbalance, consolidation away, correct basing formation, etc)**

TYPE OF TRADE	MONTHLY	WEEKLY	DAILY	H4	H1
1. POSITION	↑	↓	--	--	--
2. POSITION	↑	↑	↓	--	--

1. Monthly is up, weekly is down. WK has lost momentum and in either consolidation or a downtrend. We need to wait for price to realign with the MN uptrend at a MN demand area

2. Monthly and Weekly timeframes re up, D1 is down. D1 has lost momentum, it's in either consolidation or a downtrend. We need to wait for price to realign with the WK and MN uptrend's at a WK demand area, because the WK is the closest TF in an uptrend

Look for nested D1 zones within the WK and MN timeframes for your position type of trades
Highlighted cells show the timeframe we need to be looking at for an entry in the sequence.

TYPE OF TRADE	MONTHLY	WEEKLY	DAILY	H4	H1
1. SWING	↑	↑	↑	↑	--
2. SWING	↑	↑	↑	↓	--

1. Monthly, Weekly, Daily and H4 are up. Our lowest entry TF is H4, so we will buy all valid H4 demand levels respecting the ascending H4 TL rule

2. Monthly, Weekly and Daily are up. The sequence is broken at H4 so H4 has lost alignment with the bigger picture's uptrend, thus we need to wait for a realignment at 1 TF higher than the one where the alignment is lost (H4). D1 demand is where we should be looking to trade at, either the full D1 level or a nested H4 demand within the D1 demand

Look for nested D1 zones within the WK and MN timeframes for your position type of trades
Highlighted cells show the timeframe we need to be looking at for an entry in the sequence.

TYPE OF TRADE	DAILY	H4	H1	M15
1. INTRADAY	↑	↑	↑	↑
2. INTRADAY	↑	↑	↑	↓
3. INTRADAY	↑	↑	↓	↓

First of all decide which is your entry TF, because that will be the TF you will use for your entry when the sequence is broken.

1. D1, H4, H1, and M15 are up. Our lowest entry TF is M15, so we will buy all valid M15 demand levels respecting the ascending M15 TL rule

2. D1, H4, and H1 are up. Our lowest entry TF is H1, so we will buy all valid H1 demand levels respecting the ascending H1 TL rule**.** If your entry TF is M15, look for a nested M15 zone within the H4 demand zone

3. D1 and H4. Our lowest entry TF is H4, so we will buy all valid entry TF demand levels respecting the ascending H4 TL rule**.** If your entry TF is M15, look for a nested M15 zone within the H4 demand zone

Remember that the lower the TF you use for your entry, the more the noise you will find, focus on really good levels.

Highlighted cells show the timeframe we need to be looking at for an entry in the sequence.

WHAT TO DO WHEN PRICE HAS HIT OUR SEQUENCE'S ENTRY TIMEFRAME

There are a couple of things we can do when price hits our entry timeframe in a sequence. Let's use one of the default sequences as an example:

- **The Position Sequence (type 2):** Monthly, Weekly and Daily. Daily is our entry timeframe. See figure 1 at the top of this post, Position Type of trade 2

This is what normally happens when price is sequencing in this scenario:

- **Monthly is trending UP.** MN ascending trendline is being respected
- **Weekly is trending UP,** trendline is respected
- **D1 is trending DOWN.** D1 trendline is pointing down

As per the realignment rules described in this post, **we should wait for price to reach a Weekly area of demand before we start buying again with high probability.** All longs taken should be based on confirmation when a D1 demand zone is hit (use H4 WoW long trades as confirmation)

- Our entry timeframe will still be the Daily timeframe. You can use the H4 entry TF if your that's your entry TF
- However, we must wait for price to reach a Weekly demand zone

Once price is within the Weekly demand zone, we can trade Set & Forget or Confirmation (WoW trade)

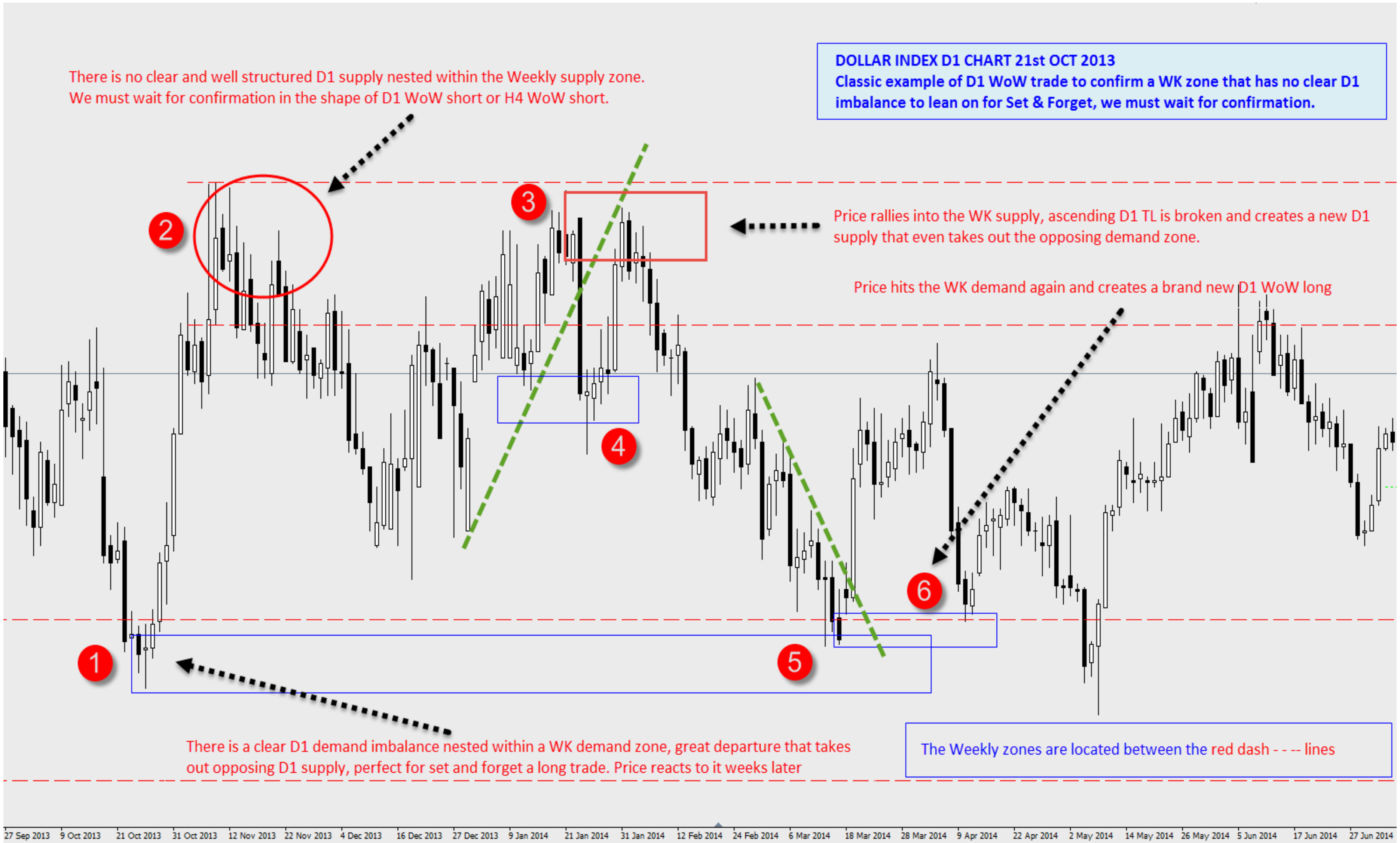
Set & Forget entry

- We should look for fresh nested D1 demand zones within the Weekly demand to define and fine tune our entry
- If no D1 demand zone is found, or the one we find is not-fresh, we must wait for confirmation

Confirmation (WoW trade)

- Draw a descending TL on your entry TF, in this case the D1 chart
- Wait for price to solidly break the descending TL and form a brand new well structured D1 demand
- Follow the WoW trade rules and make sure you don't forget to take into account the freshness of the HTF level, it's key to decide if we need an opposing D1 zone needs to be taken out before we validate the new D1 demand imbalance

The following Dollar Index D1 chart shows a few examples on what has been commented above.



The WoW trade, how to trade a Trendline break at higher timeframes zones

The WoW trade is the most important addition to the set of rules laid out at Set and Forget. You must understand the Nested and Realignment lessons since both concepts go hand in hand, you will need to understand them in order to fully understand what a WoW trade is all about.

WoW is an acronym for the way this type of pattern looks like. It's essentially a W or inverted W (a M shape) formed once a Higher Timeframe has been hit, price is over-extended, and a trendline has been solidly broken.

The WoW trade is a high probability setup if done correctly and bigger picture is with you. Be careful with this pattern though, because in the beginning you might start seeing WoW trades "everywhere", pay attention to where the pattern occurs and follow the rules laid out below, or you might experience unnecessary losses trying to trade the WoW trade.

WHAT ESSENTIALLY HAPPENS WHEN A WOW TRADE OCCURS:

1. **Price is over-extended** on the bigger timeframes, it starts to lose steam. Price behaves like a spring, the more you pull from both ends, the bigger the snap back into place. Price tends to be in equilibrium (balance), looking for the good imbalances (the footprint of a dinosaurs) is the best place to wait for a WoW trade to happen
2. **More than 3 CP patterns** will have formed. This goes hand in hand with the over-extension of price. The lower the CP pattern is in the curve (its altitude), the lower its probability, the higher the odds to be removed once the HTF zone is hit
3. **Big rallies and drops are not sustainable**. At some moment, the market will revert to the mean and traders/institutions will take profit. Where will that mean normally happen? At bigger timeframe supply and demand zones or flip zones
4. **Price will have hit a Bigger Timeframe Zone or flip zone**.
5. **Price reacts to the bigger timeframe and creates a brand new imbalance**
6. **Price needs to hit 1 timeframe HIGHER than the one the TL break has been detected or a flip zone in a HTF**. That is, if we see a descending D1 TL solidly broken, but no WK demand area or a clear HTF flip zone has been hit, the WoW trade is not high probability

HIGH ODDS SCENARIOS WoW TRADES

There are a few scenarios where we can look for potential WoW trades.

Scenarios ordered from higher to lower probability. The first 3 are the highest odds ones.

1. **Momentum and location scenarios**. WoW trades play out really well in momentum and location scenarios, that is, with the bigger picture in a trend paired together with the Sequence and Realignment scenarios. For instance, MN and WK up, D1 lost momentum and drops into a fresh and WK DZ --> Descending D1 TL is broken and provides a momentum and location D1 WoW long
2. **1 HTF zone is hit,** bigger picture in a trend. WoW trades need support from a bigger timeframe. For instance, a D1 WoW long will be valid if at least a WK demand zone has been hit, better if WK or even MN in a trend (momentum and location)
3. **HTF Trendline confluence**. There are no HTF zones to lean on but price starts to react at MN or WK TL is sitting at that TL confluence
4. **Flip zone at HTF zones** (D1, WK and MN). Flip zones are by definition located at bigger timeframes zones. Highest odds at flip zones with bigger picture's trend, beware of those in a counter-trend
5. **WK and MN 20 EMA.** High odds if there is bigger picture's trend. HTF 20 EMAs will only be used the TF we're analyzing is got a clear trend. 20 EMAs work with trending market, else they are useless
6. **HTF zone counter-trend**. If the HTF is at a very extreme, it's high odds. Else it will be too aggressive. For instance, MN and WK and we hit a MN SZ. The MN SZ is in the middle of the charts not at an extreme and imbalance is not that great. That's not the best scenario to try shorts

Most scenarios are covered in more detailed lower in sub-posts.

LOWER ODDS WoW TRADES SCENARIOS

1. **HTF has been overshot** but no candle close
2. **Lower TF WoW against bigger TF zone in control**. For instance, taking D1 WoW longs against a WK or HTF zone in control is not a good idea. Bigger TF normally wins over lower TF. As a rule of thumb, a big TF will win over a lower TF (not always, but we're talking about odds here, we must play high odds scenarios not the exceptions)
    a. **D1 WoW long against valid WK SZ** --> WK normally wins over D1
    b. **D1 WoW long against opposing WK or MN TL and/or 20 EMA confluence** (bigger picture's trend down)
    c. **D1 WoW long against valid WK SZ and WK downtrend**. Maybe price is even bouncing from MN DZ, but we must

respect the WK downtrend and WK SZ

d. The same applies if you change the TFs by 1 level and /or change long for shorts, that is, change D1 for H4 and WK for D1

3. **At all time highs/lows.** For better odds, we should wait for an opposing zone to be taken out, not just the TL break

HOW TO DEAL WITH THE FRESHNESS OF A LEVEL IN A WOW TRADE

It's very difficult to cover all possible scenarios in trading, there is no perfect recipe for a WoW trade. Try to apply common sense and logic here as well, don't try to outsmart the markets, play your odds and look for the next high probability trade if it doesn't work. Deal with each scenario as if it was the only one, think in probabilities. If you want to tweak some of the rules or scenarios, make sure you've thoroughly tested it and proved to you that the tweaks do work.

As a rule of thumb, follow the guidelines below to deal with the freshness of a HTF level:

1. **Fresh HTF zone?** No need to take out opposing zone
   - Most of the time, the opposing zone will be removed anyway, you can always wait for it to be removed and deal with it as a higher probability entry
   - If the basing zone to be removed is not well formed (too wicky, too much trading, compressed, etc), it will be "common sense" to be more aggressive and "expect" the zone to be removed, since it was not that great in the first place
2. **Non-fresh HTF zone?** Wait for a brand new level that takes out opposing zone. If there is no zone but a lot of profit margin to the closest opposing zone, then there will be no need to remove any zone, it's advisable that bigger timeframes are with you. For instance, a H4 demand zone nested within a D1 demand zone, nested within a WK demand zone with a WK uptrend
3. **Used-up HTF zone?** Do nothing since they are not high odds, or follow the steps at step 2 if you believe in the zone and you are aggressive enough

HOW TO PLAN A WoW TRADE

When price reacts to the bigger timeframe, it normally creates a brand-new imbalance. We must be aware that many times there is more than one imbalance created:

1. **A valley/peak at the extreme**, right where the whole imbalance was originally created
2. **A CP (Continuation Pattern)** right at the area where the Trendline is solidly broken, at the breakout spot

If both setups are valid. Which one should to take? The CP? The extreme? Both?

Both are valid, but we have the core strategy rules to help us make that decision

- **Take the extreme if no valid CP pattern**, or another valley/peak is formed above. We might have no CP formed, only valleys/peaks, we will trade what we see
- **Take the CP at or near the retest of Trend line's solid break** if the CP has been validated as per the core strategy rules
- Once the TL is solidly broken on our entry timeframe (let's say H4 entry TF trading a WoW trade at a D1 fresh Demand), we will wait for a bigger pullback right at the extreme valley/peak that originally created the new imbalance on H4 within the D1 zone. This is part of the core strategy

AT WHICH TIMEFRAME SHOULD I WAIT FOR THE IMBALANCE?

- If the HTF hit is a D1 level, then we'll wait for minimum a H4 zone
- If it's a WK or MN level then we'll wait for a brand new D1 zone to be formed

NESTED WoW TRADES

There are times where there will be several nested WoW trades. A similar thing happens with nested SD zones in high timeframes.

The more nested WoW trades we find in any given scenario, the higher the odds. That does not mean you should tweak or break the rules of imbalance/departure, quality of the levels, non-fresh and/or used-up zones, etc.

An example of this could be this scenario:

- D1 WoW long nested within a WK WoW long at a Monthly demand zone
- The Monthly demand is fresh, WK is over-extended to the down side
- The descending WK TL is solidly broken and provides a WK demand zone at the extreme or at the retest of the TL break
- When a new WK demand is formed, the descending D1 TL will most likely be solidly broken and might have provided us with an earlier entry of the sort of a D1 WoW long trade, nested within the WK demand zone where we are originally waiting for price to drop before we go long
- Remember that at a HTF zone like the WK or Monthly ones, price will take longer to move, accumulation and distribution stages need more time at these bigger TFs, and price will probably range for some time. So if you move your SL to breakeven too soon you will miss the big move

You need to practice and forward test these scenarios on Forex Tester for quite some time before you gain confidence in the rules for the WoW trade.

1. Trade only D1 WoW for now so you can get the feeling and confidence. H4 happen a lot as well
2. Take any pair and start at any year, use the D1, WK and MN charts
3. Use the D1 as the TF where you will be looking for the TL break
4. Use the WK and MN SD zones as areas where price will most likely react, it will lose steam and cause the D1 TL to be broken
5. Be aware of the TL breaks on WK and MN as well, they are even more powerful and those trades will most likely become a longer-term trade

In the beginning, if you decide to take WoW trades, I'd advise you to concentrate on WoW trades that go with the HTF trend. Trade the super clearest setups, don't take counter-trend ones or you will see WoW trades everywhere. That is, a D1 TL Buy WoW trade that goes with the WK and MN uptrend, the D1 drop would be realigning with the WK/MN uptrend, those are the ones to start with, and then with practice the counter-trend ones and the other scenarios listed above.

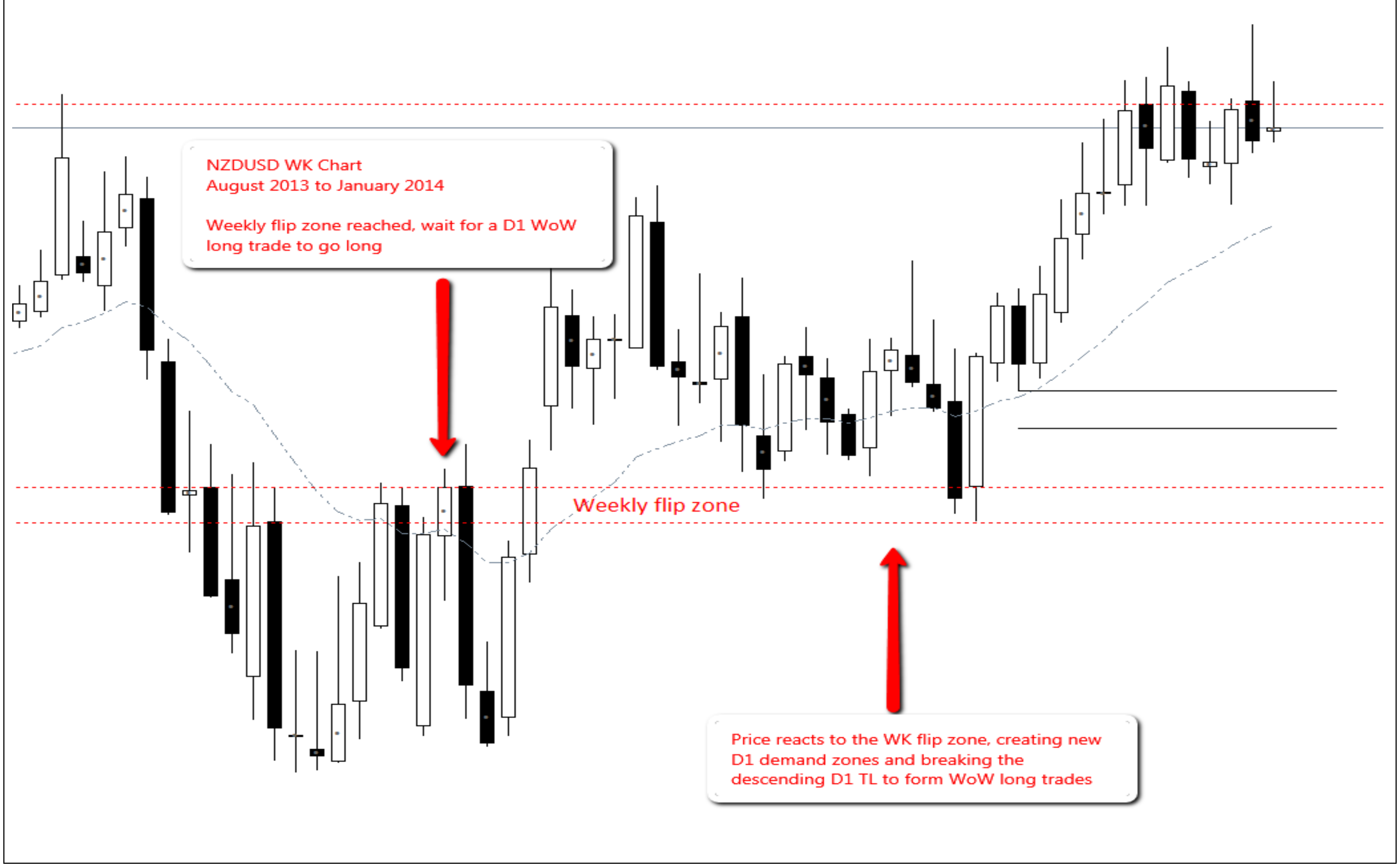
The bigger the timeframe, the bigger the WoW TF entry you should look at for having higher odds. For instance, looking for a H4 WoW at a WK Demand area will probably generate some fakes, price normally takes some days to take off from a WK or MN area, so it will generate several entry areas normally. If you wait for a D1 imbalance instead of a H4 or H1 you will probably have more success. That does not mean that H4 WoW trades won't work, but look at the charts and observe the WoW trades on WK and MN areas of demand, price hits them and a couple of WK or MN candles bouncing off it is the normal thing, that means days of accumulation/distribution, providing several H4 longs. After 1-3 CPs on the D1 price will most likely take off. By 3 CPs I don't mean over-extension, I mean a CP is created, then price retests it, it goes back again to the origin of the imbalance, then rallies again and another CP with higher lows... after the 2nd or the 3rd price will most likely take off.

HTF FLIP ZONES & WOW TRADES

NZDUSD WK Chart August 2013 to January 2014

- Weekly flip zone reached, wait for a D1 WoW long trade to happen before thinking of going long
- Price reacts to the WK flip zone, creating new D1 demand zones and breaking the descending D1 TL to form WoW long trades
- There are several opportunities on the D1 based on the D1 WoW long in this scenario, all described in the attachments below
- WK flip zone is hit again, so we wait for confirmation and opposing area to be removed. D1 TL broke and new D1 demand zone formed. Price did not pullback to extreme zone, but it did to the CP at the TL break restest

WEEKLY CHART



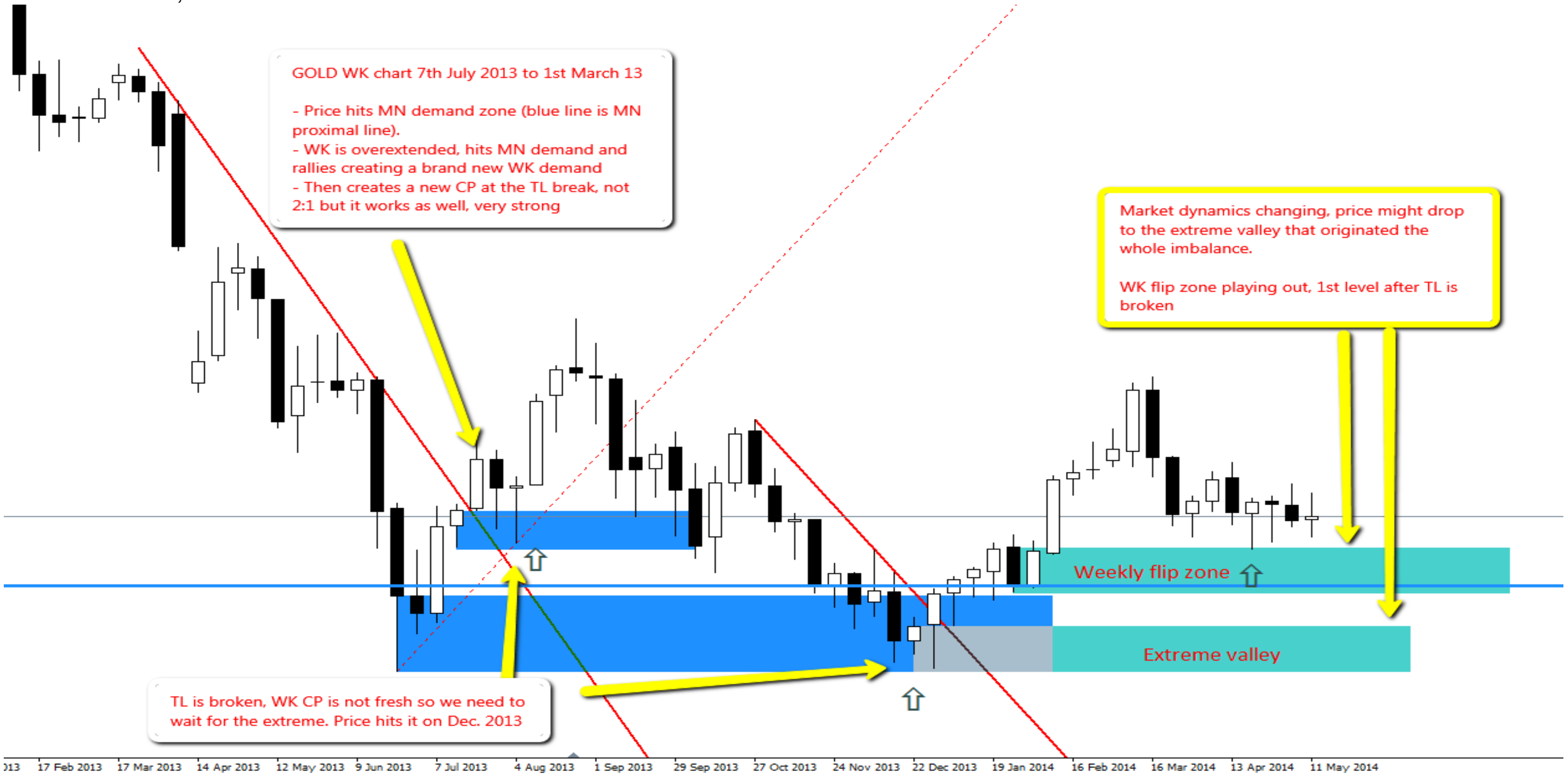


D1 CHART
WK flip zone is reached, D1 TL is broken and new D1 demand if formed. No need to wait for opposing area to be removed, it's fresh.
Approx. Weekly flip zone area of influence
WK flip zone is hit again, so we wait for confirmation and opposing area to be removed. D1 TL broke and new D1 demand zone formed. Price did not pullback to extreme zone, but it did to the CP at the TL break restest

WOW TRADES & BIGGER PICTURE COUNTER-TREND

GOLD WK chart 7th July 2013 to 1st March 13

1. Several trades happen based on WK WoW trades, D1 nested WoW trades will be there almost for sure
2. Price hits MN demand zone (blue line is MN proximal line).
3. WK is overextended, hits MN demand and rallies creating a brand new WK demand
4. Then it creates a new CP at the TL break, not 2:1 but it works as well, very strong
5. TL is broken, WK CP is not fresh so we need to wait for the extreme. Price hits it on Dec. 2013



GBPJPY D1 SHORT COUNTER-TREND

D1 CHART on GBPJPY- 25th Dec. 2013

- D1 and WK overextended
- Price reaches a WK CP supply counter-trend (blue line is WK proximal line). Once WK supply is hit the D1 TL is negated
- We wait for the TL to be broken
- 2 x D1 supply levels occur, 1st one is a loss, the 2nd one is a winner



NESTED WoW TRADES

Refer to previous page on Gold to know where price was at the moment on the WK and Monthly

GOLD D1 Chart, zoomed in WK zone from previous post

10th July 2013 to January 2014

- MN demand is hit (blue line)
- D1 TL is broken, new bullish engulfing (no 2:1) but works). This zone is what later becomes the WK demand zone, price pulls back to the zone in December 2013
- Then Ascending D1 TL is broken so we need to wait for the extreme at the origin of the whole imbalance: D1/WK demand zone at the bottom
- After some time, Descending D1 TL is broken, WK demand zone is penetrated fully and creates several D1 demand zones while reacting to it



WoW TRADES with BIGGER TIMEFRAMES IN A TREND

These are the highest odds WoW trades, you must understand the Realignment and Nested zones to fully understand this. This is trend trading, location and momentum type of trade.

EURUSD CHART

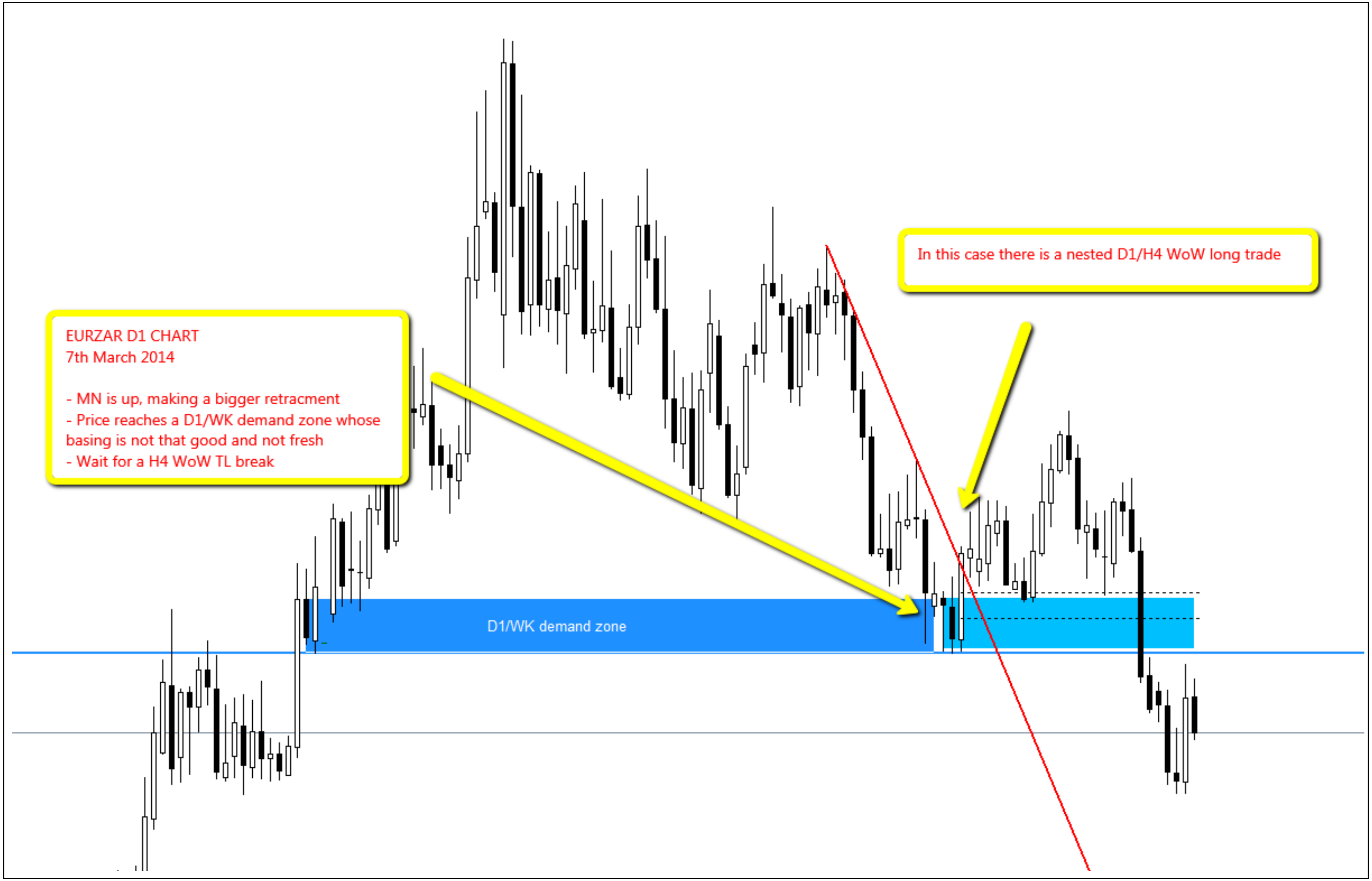
- MN, WK and D1 in an uptrend. Momentum and location type of trade
- New D1 demand created, price retraces into the level, breaks descending H4 TL, H4 realigns with the D1/WK/MN uptrend
- Price rallies from D1 demand (blue lines)
- Creates 2 brand new H4 demand zones
- Price does not retrace to the extreme blue valley, but it retraces to the H4 CP at the D1 proximal line

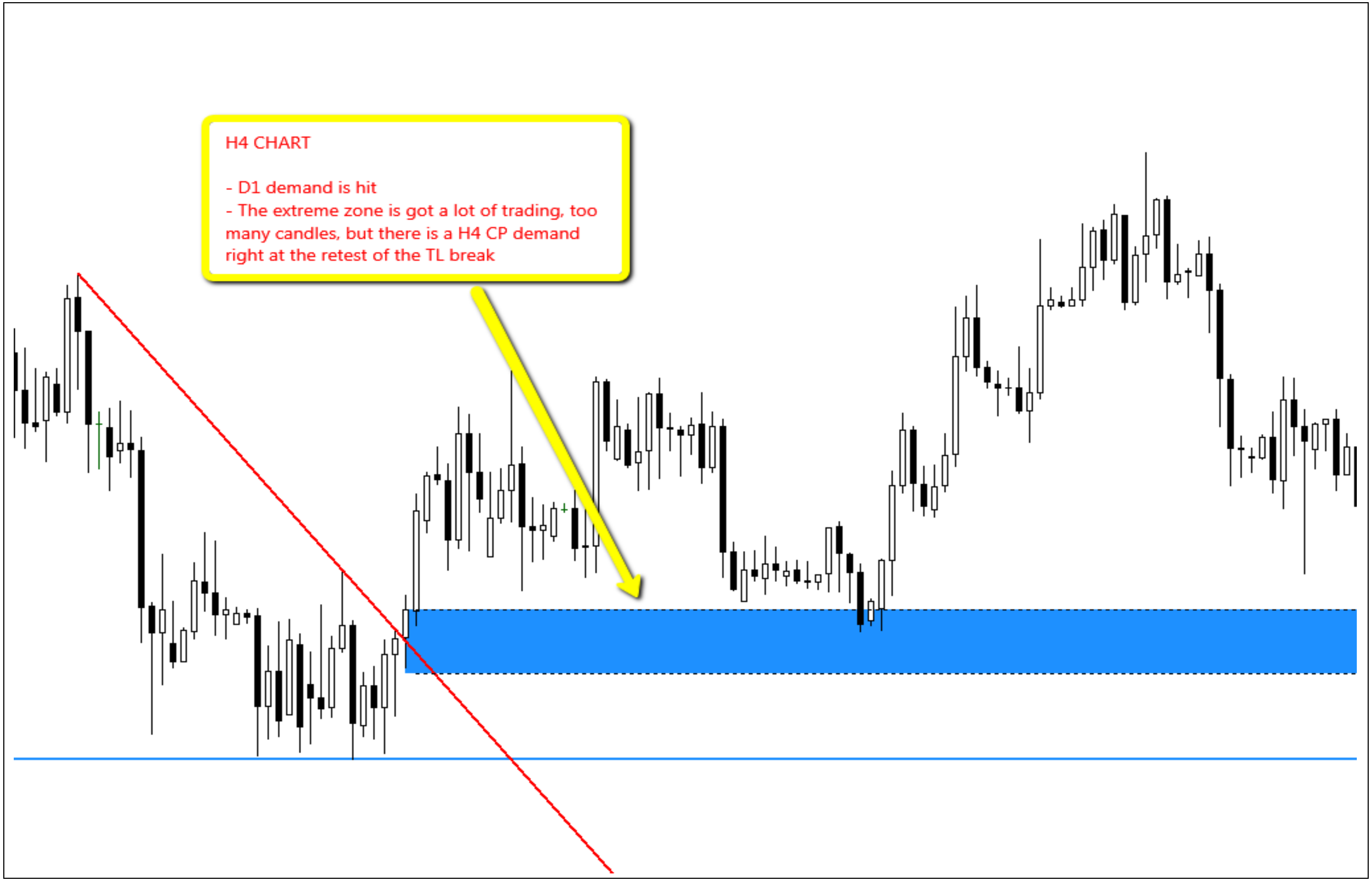

EURUSD CHART
27th Feb 2014
- MN, WK and D1 in an uptrend. Momentum and location type of trade
- New D1 demand created, price retraces into the level, breaks descending H4 TL, H4 realigns with the D1/WK/MN uptrend


EURUSD H4 CHART
- Price rallies from D1 demand (blue lines)
- Creates 2 brand new H4 demand zones
- Price does not retrafce to the extreme blue vally, but it retraces to the H4 CP at the D1 proximal line

WoW TRADES & NON-FRESH OR NOT WELL STRUCTURED LEVELS
There are times where the HTF level is not fresh or it's not that well structured. Instead of setting and forgetting our trades, we'll wait for a WoW trade. If the HTF is a D1 level, then we'll wait for minimum a H4 zone. If it's a WK or MN level then we'll wait for a brand new D1 zone to be formed.

EURZAR D1 CHART
7th March 2014. This was an real live trade I took
- MN is up, making a bigger retracement
- Price reaches a D1/WK demand zone whose basing is not that good and not fresh
- We wait for a H4 WoW TL break
- In this case there is a nested D1/H4 WoW long trade
- The extreme H4 zone is got a lot of trading, too many candles, but there is a H4 CP demand right at the retest of the TL break


EURZAR D1 CHART
7th March 2014
- MN is up, making a bigger retracment
- Price reaches a D1/WK demand zone whose basing is not that good and not fresh
- Wait for a H4 WoW TL break
In this case there is a nested D1/H4 WoW long trade
D1/WK demand zone


H4 CHART
- D1 demand is hit
- The extreme zone is got a lot of trading, too many candles, but there is a H4 CP demand right at the retest of the TL break

LOWER TF WoW AGAINST BIGGER TF ZONE IN CONTROL

This is a lower odds scenario. As a rule of thumb, a bigger TF wins over a lower TF.

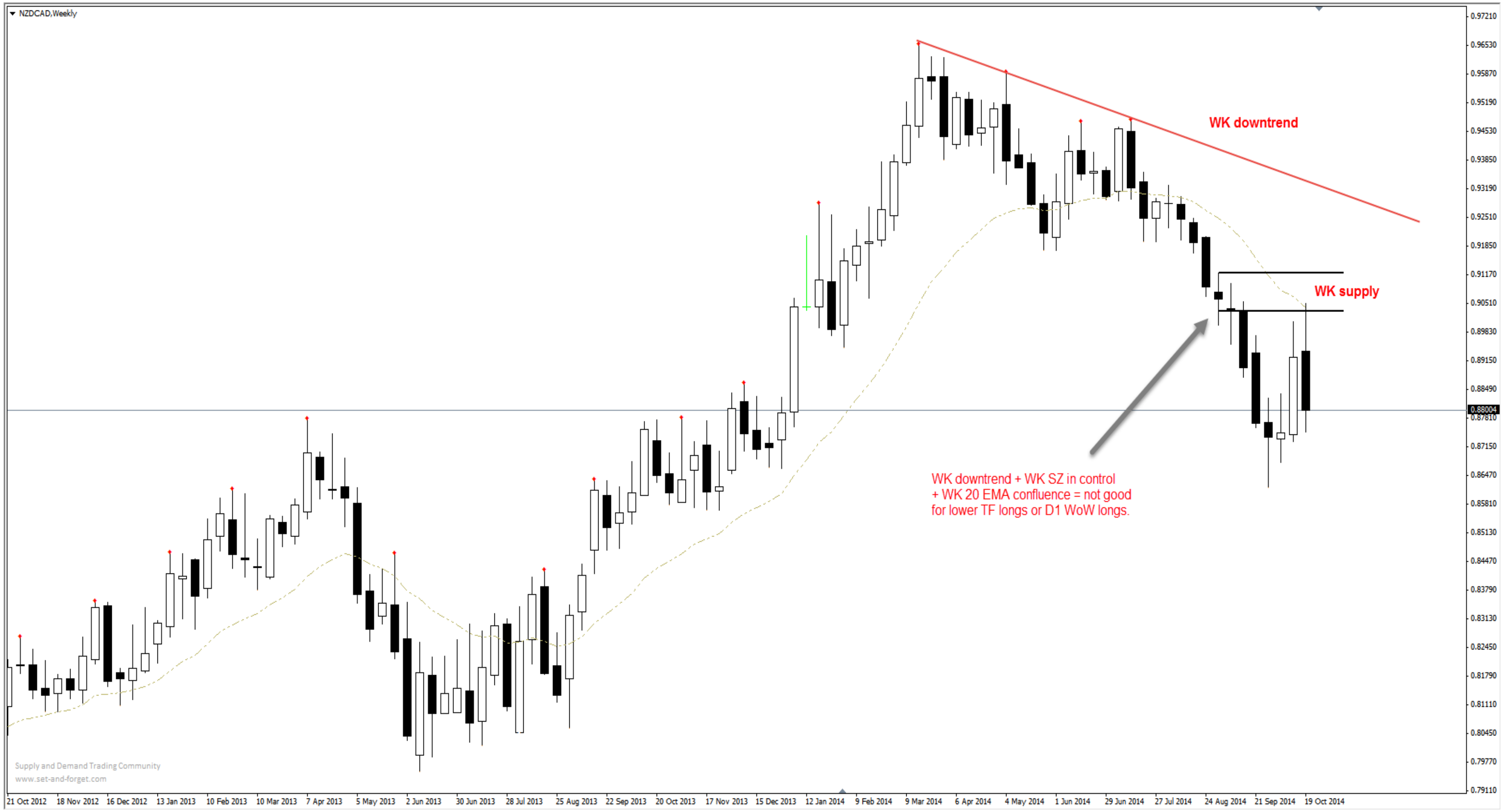
Taking D1 WoW longs against a WK or HTF zone in control is not a good idea. Bigger TF normally wins over lower TF. As a rule of thumb, a big TF will win over a lower TF (not always, but we're talking about odds here, we must play high odds scenarios not the exceptions)

1. **D1 WoW long against valid WK SZ** --> WK normally wins over D1
2. **D1 WoW long against opposing WK or MN TL and/or 20 EMA confluence** (bigger picture's trend down)
3. **D1 WoW long against valid WK SZ and WK downtrend**. Maybe price is even bouncing from MN DZ, but we must respect the WK downtrend and WK SZ
4. The same applies if you change the TFs by 1 level and/or change long for shorts, that is, change D1 for H4 and WK for D1

NZDCAD D1 WoW LONG AGAINST WK SZ AND WK DOWNTREND

October 2014. D1 WoW long failed, WK SZ in control. WK and D1 charts attached

WK downtrend + WK SZ in control + WK 20 EMA confluence = not good for lower TF longs or D1 WoW longs.





NZDCAD,Daily
WEEKLY SUPPLY ZONE
D1 CP Demand against WK SZ and WK downtrend
Supply and Demand Trading Community
www.set-and-forget.com

EURZAR D1 WoW LONG AGAINST WK SZ AND WK DOWNTREND
October 2014. D1 WoW long failed, WK SZ in control. WK and D1 charts attached

WK SUPPLY + WK DOWNTREND + WK 20 EMA CONFLUENCE = not good for lower TF longs or D1 WoW longs.





EURZAR,Daily
WK SUPPLY
D1 CP DZ and D1 DZ against WK SZ and
WK downtrend in control
Supply and Demand Trading Community
www.set-and-forget.com

The Sequence and the Realignment sheet: mechanical decision making table

This lesson on the Sequence and the Realignment can be considered an addendum to the original Sequence lesson. I decided it was a good idea to keep it separated and added after that lesson and the WoW trade one because we need to understand those in order to fully comprehend the meaning of this table.

The tables below show the power of the Realignment and The Sequence. They are mechanical decision making processes we need to imprint in our minds, in the beginning this table should be consulted but once you get some experience trading the Sequence, it should be second nature to you.

CONSERVATIVE TRADER: UPTREND

- The tables below show the rules and scenarios we need to wait for and pay attention to if we are conservative traders. An aggressive trader could be looking for other trade setups and scenarios. The table below applies to an uptrend but if the arrows and scenarios are reversed then the downtrend scenarios would apply
- In these examples, the opposing zone will always be a supply zone, price can hit 3 bigger timeframe zones, D1, WK and MN. I've decided to add only one row for the MN supply zone, once it's hit going long is lower odds.
- The Sequence used is MN / WK / D1, but you can add H4 to the sequence if H4 is your entry TF. I stopped at the D1 for the sake of simplicity
- You can use other sequences as explained in the sequence section, you can start on the D1 or the WK, any TF combination is fine as long you respect the sequence and do not skip any intermediate TF
- I've also added an ODDS column with these meanings: + = HIGH + + = VERY HIGH + + + = SUPER HIGH - = LOW

D1 WoW longs can always be used as confirmation as a conservative trader instead of setting and forgetting your trades, it's a personal decision you have to made and add to your trading plan. But please, do ALWAYS the same, don't think about it, either set and forget or wait for confirmation, don't base your decision subjectively or based in your mood or a streak of consecutive losses.

MN/WK UPTREND, D1 OUT OF ALIGNMENT

ACTION = WAIT FOR WK OPPOSING DEMAND ZONE TO BE HIT

<table>
<tr><th></th><th>MONTHLY</th><th>WEEKLY</th><th>DAILY</th><th>OPPOSING.ZONE</th><th>FRESH</th><th>ODDS</th></tr>
<tr><td>1</td><td>↑</td><td>↑</td><td>↓</td><td>NONE</td><td>--</td><td>+ + +</td></tr>
<tr><td colspan="7">- D1 is out of alignment --> Buy nested D1 demand zones at valid WK demand zones or at obvious WK/MN flip zones with D1 WoW longs if price falls short of hitting WK/MN demand zone
- As a conservative trader you should not be looking to go short trying to grab the movement down to your long entry
- D1 WoW longs can always be used as confirmation

<u>(the statements above apply to all the scenarios, 2 to 6)</u></td></tr>
<tr><td>2</td><td>↑</td><td>↑</td><td>↓</td><td>D1/WK</td><td>FRESH</td><td>+ +</td></tr>
<tr><td colspan="7">- Fresh opposing zone hit, less odds than scenario 1</td></tr>
<tr><td>3</td><td>↑</td><td>↑</td><td>↓</td><td>D1/WK</td><td>FRESH & ORIGINAL</td><td>+</td></tr>
<tr><td colspan="7">- Fresh & original opposing zone hit, less odds than high odds scenario 1</td></tr>
<tr><td>4</td><td>↑</td><td>↑</td><td>↓</td><td>D1/WK</td><td>NON FRESH</td><td>+ +</td></tr>
<tr><td colspan="7">- Non-fresh opposing zone hit, better odds than 2nd and 3rd scenarios where the opposing zones were either fresh or fresh and original</td></tr>
<tr><td>5</td><td>↑</td><td>↑</td><td>↓</td><td>D1/WK</td><td>USED-UP</td><td>+ +</td></tr>
<tr><td colspan="7">- Used-up opposing zone hit, better odds than previous scenarios because the opposing zone is used-up thus it's most likely to be taken out</td></tr>
<tr><td>6</td><td>↑</td><td>↑</td><td>↓</td><td>MONTHLY</td><td>ANY</td><td>-</td></tr>
<tr><td colspan="7">- Opposing MN supply zone has been hit, a conservative trader should wait for confirmation to go long. Why? A MN supply zone is in control, MN is stronger than WK
- If MN is used up we could try to go long at a WK area of demand as conservative</td></tr>
</table>

MN UPTREND, WK and D1 OUT OF ALIGNMENT

ACTION = WAIT FOR MN OPPOSING DEMAND ZONE TO BE HIT

<table>
<tr><th></th><th>MONTHLY</th><th>WEEKLY</th><th>DAILY</th><th>OPPOSING.ZONE</th><th>FRESH</th><th>ODDS</th></tr>
<tr><td>1</td><td>↑</td><td>↓</td><td>↓</td><td>NONE</td><td>--</td><td>+ + +</td></tr>
<tr><td colspan="7">- WK is out of alignment --> Buy nested D1 demand zones at valid MN demand zones or at obvious WK/MN flip zones with D1 WoW longs if price falls short of hitting MN demand zone
- As a conservative trader you should not be looking to go short trying to grab the movement down to your long entry
- Watch WK / MN 20 EMAs and MN/WK TL confluences. Don't go against them if price is at or very close to them
- D1 WoW longs can always be used as confirmation

<u>(the statements above apply to all the scenarios, 2 to 6)</u>

- No opposing zone, highest odds</td></tr>
<tr><td>2</td><td>↑</td><td>↓</td><td>↓</td><td>D1/WK</td><td>FRESH</td><td>+ +</td></tr>
<tr><td colspan="7">- Fresh opposing zone hit, less odds than first scenario.</td></tr>
<tr><td>3</td><td>↑</td><td>↓</td><td>↓</td><td>D1/WK</td><td>FRESH & ORIGINAL</td><td>+</td></tr>
<tr><td colspan="7">- Fresh & original opposing zone hit, less odds than high odds scenario 1</td></tr>
<tr><td>4</td><td>↑</td><td>↓</td><td>↓</td><td>D1/WK</td><td>NON FRESH</td><td>+ +</td></tr>
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<tr><td>5</td><td>↑</td><td>↓</td><td>↓</td><td>D1/WK</td><td>USED UP</td><td>+ +</td></tr>
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<tr><td colspan="7">- Opposing MN supply zone has been hit, a conservative trader should wait for confirmation to go long. Why? A MN supply zone is in control, MN is stronger than WK
- If MN is used up we could try to go long at a MN area of demand as conservative by using a D1 WoW long as confirmation</td></tr>
</table>

MN IN CONSOLIDATION, WK and D1 OUT OF ALIGNMENT

ACTION = shorts bias. Shorts are allowed if price was compressed on the way up. Shorts can be the way to go down to fresh and original HTF levels of demand.

	MONTHLY	WEEKLY	DAILY	OPPOSING.ZONE	FRESH	ODDS
1	⇆	↓	↓	NONE	--	–
	- **MN is consolidating --> Shorts and Longs are allowed based on confirmation** at obvious HTF zones and WK/MN flip zones with D1 WoW trades - Pay attention to WK/D1 candlestick patterns like bearish engulfing, shooting stars and spinning tops with dojis, they are signals that price might be ready for a drop and a bigger retracement. Remember MN is in consolidation, that is, either an opposing MN demand has been taking out or the ascending MN TL has been broken - Watch WK / MN 20 EMAs and MN/WK TL confluences. Don't go against them if price is at or very close to them *(the statements above apply to all the scenarios, 2 to 6)* - WK WoW are low odds if they are against the reaction of the biggest TF in control, that is, MN. For example, MN has got MN bullish consolidation, MN SZ in control. We have a new WK WoW DZ without hitting MN DZ, that long is low odds. Realignment rules require support from a bigger timeframe (MN in the case of a WK WoW) or a strong flip zone - No opposing zone has been it. No reason to short unless we see obvious rejection candlestick patterns and supply zones as well as strong resistance above which WK and D1 candles cannot close					
2	⇆	↓	↓	D1/WK	FRESH	+ +
	- Fresh opposing zone hit. Shorts bias. Price could make a bigger retracement once opposing fresh supply zone is hit and give us some shorts on the way fresh and original demand zones					
3	⇆	↓	↓	D1/WK	FRESH & ORIGINAL	+ + +
	- Fresh and original opposing zone hit. Shorts bias. Price could drop further once the opposing fresh and original supply zone has gained control and give us some shorts on the way fresh and original demand zones					
4	⇆	↓	↓	D1/WK	NON FRESH	+ +
	- Non-fresh opposing zone hit. Shorts bias on confirmation. Watch price action to the left and see if price is compressed and no fresh and original area could prevent price from dropping lower					
5	⇆	↓	↓	D1/WK	USED UP	+
	- Used-up opposing zone hit. Shorts bias on confirmation, Price action to the left is critical, we need compressed zones and no obstacle or we might have some unnecessary losses because the opposing zone is used-up and it could just be a small retracement to gain some fuel to rally again					
6	⇆	↓	↓	MONTHLY	ANY	+ + +
	- Opposing MN supply zone has been hit, a conservative trader should wait for confirmation to go short. Why?					

Set and Forget versus Confirmation Trades

Set and forget trading is as simple as its name implies, you just set the trade up and then forget about it until the trade is triggered, either for a win or a loss. This way of trading has two major benefits:

1. **It makes it far easier to remove your emotions from the equation**. Emotions are our worst enemy when trading
2. **It also allows you to enjoy your life as you normally would**, because you will not be spending countless hours staring at of your computer over-analyzing the markets

Unfortunately, traders become lost with the huge amount of data that available over the internet and TV. It is extremely easy to experience analysis paralysis while trying to trade Forex or any other financial market. It can be overwhelming to try and make sense of all this information and create a Forex trading plan based off this amount of information.

Once you do a certain amount of analysis on any instrument, any further time spent analyzing this data is likely to have a negative effect on your trading, the outcome is usually the same, it causes you to lose money.

The believe that more is better can be psychological trap that often keeps us from consistently profiting in the Forex market, and is the reason why many blow out their trading accounts and eventually give up completely on their dreams of becoming a trader. I've gone through this process myself, as most of us, and I believe that all traders have and should go through it, it's part as your evolution as a trader.

Less is more: Set it and Forget it

How can we achieve consistent profitability trading Forex if it looks like we have been coded to make things more complex than they are? The very first step in this process is accepting the fact that you cannot control the markets, you don't need to feed your ego. The markets do not care what you have done in your life before; it has no emotion and it is not a living entity. The Forex Market It is an arena where human beings express their beliefs about the exchange rate of a certain currency pair.

People that over-complicate their analysis are providing that predictability for the professionals to take advantage of, the money flows from those who don't know what they are doing to those who know what they are doing (professionals).

An ironic fact about trading Forex is that spending less time analyzing the markets, trying to find the perfect trade will actually cause you to make more money faster because you will be more relaxed, less emotional, and thus less likely to over-trade or over-leverage your trading account. This is why swing trading using an using timeframe like the H4 and D1 will help you improve your results and enjoy your life much more.

When to Set & Forget?

- **Use only fresh levels of supply of demand when the market is trending**. The first pullback is the safest and has the highest odds of working out. Non fresh levels can also work but rules do not allow us to take them unless there is confirmation in lower timeframes
- **Use original AND fresh levels if you want to go counter-trend**. Make sure your trade has a proper location. **Location is key**, that is, your trade should be located very high in the curve for selling and very low in the curve for buying
- **LOCATION IS KEY.** Knowing how high or low in your curve timeframe is paramount to allow you to set & forget or wait for clues of willing buyers or sellers to enter based on confirmation
- **Continuation patterns (CP) against the entry timeframe trend.** Do not set & forget on these areas if they are against the trend, they are lower odds entries

When not to Set & Forget?

Knowing when not to set & forget is even more important than knowing when to do it. It will prevent you from having unnecessary losses that will increase your account's drawdown.

- **Stop buying when you are too close or right at your curve timeframe supply area**, opposite for selling
- **If your curve timeframe is not fresh (D1).** Wait for a confirmation trade, don't set & forget unless
- **If your curve supply and demand zone is right in the middle of an even higher timeframe** like the Weekly or Monthly chart. Remember, no diddle in the middle, it also applies to higher timeframes since price is fractal
- **If your curve timeframe is used-up**, that is, it's had more than 2 retracements
- **Continuation patterns (CP) at the higher timeframe curve.** Set and forget works better at the extremes on U and inverted U levels (valleys and peaks). Use rally base drops (peak) and drop base rally (valley) levels to set and forget at your higher timeframe curve

WHEN TO PLAN A CONFIRMATION TRADE INSTEAD OF A SETTING AND FORGETTING

<u>There is not such a thing like a confirmation trade really.</u> There is no way that you will have 100% certainty or confirmation that your trade is going to work well, the confirmation trade just adds some more odds to your side, that's all. Trading is about statistics, you just have to play the games number.

Maybe you are not comfortable with setting and forgetting your trades or you haven't gained the confidence to do so yet. Don't worry, waiting for confirmation before you place your trade is fine as well, it's just another way of trading supply and demand imbalances. You just need to find your style and stick to it if it works for you, that's key to becoming successful at anything in life, not to say trading the Forex markets.

What is a confirmation trade?
If you are NOT sure about your entry or you are not confident enough with the set and forget type of trades, you can wait for certain patterns to happen at your entry level.

- **Waiting for a brand new lower TF supply level if you are looking to go short at a D1 supply area** (if the area is not used-up, read below on when not to take them)
- **Waiting for a brand new lower TF demand level if you are looking to go long at a D1 demand area**
- Brand new levels on your entry timeframe will be a clue that there are willing demand or willing supply at that area
- **Always wait for price to reach the fresh higher timeframe curve zone** you have spotted before you start waiting for brand new areas of supply and demand on lower timeframes
- **Choose your curve timeframe and your entry timeframe**, D1/H1 or WK/H4 and go ahead

There are 3 types of confirmation entries:

- Brand new imbalance at an opposing zone that removes opposing area
- Brand new imbalance on entry TF when we hit a bigger timeframe and no opposing zone to remove (see example below on EUR/JPY H4
- Brand new imbalance that breaks a TL (also known as WoW trade). We need to wait for opposing zone to be taken out if HTF is not fresh, etc, etc

When to wait for confirmation

- **At higher timeframe supply and demand areas.** If waiting to short on a D1 supply area, you have to wait for the D1 supply proximal line to be hit, do not try to go short before the zone is reached, you would entering too soon, be patient. If it doesn't make it to the D1 supply and price starts dropping, what for previous demand to be taken out on your entry timeframe
- **At non-fresh HTF timeframe supply and demand areas.** If the HTF is not fresh you can wait for brand SD new levels on your LTF level to trade that market. The confirmation trade is the brand new LTF level when price hits the HTF SD zone
- **At continuation patterns (CP) located near or within a higher timeframe supply and demand area**. Since set & forget is not higher odds at CP against the trend, we should wait for brand new levels being formed off a CP at a higher timeframe supply and demand area
- **Level on top of level**. When your entry timeframe has several levels stacked on top of each other, you can wait for brand new lower timeframe areas (H1 or H4) to be formed. Sometimes it's difficult to decide which level to take, if that is the case, use confirmation to filter out the levels and concentrate on the brand new one created at present time at those stacked areas.

Either that or choose the level further away since price will reach the area "exhausted" and your trade will have higher odds

- **When higher timeframe area has already been retested.** If for instance the D1 supply is not fresh (retested), don't only wait for a brand new area of supply to be formed on your entry timeframe, but also wait for previous opposing entry timeframe demand to be absorbed. You don't want to trade a retested D1 supply area without that confirmation. You can do it but it's not higher odds, remember the first retest has always the higher odds of working out

As a rule of thumb for confirmation, follow these simple rules (this applies to the WoW trade rules as well):

- **Fresh HTF zone?** You don't need the opposing zone to be removed
- **Non-fresh HTF zone?** Wait for a brand new level that takes out opposing zone
- **Used-up HTF zone?** Do nothing or do the same thing at step 2 for a more aggressive buying if you are that aggressive

When not to wait for confirmation

- **In the middle of the curve. No diddle in the middle**. Wait for confirmation when you are at a higher timeframe supply and demand zone. Look at the charts, price almost always makes it to those areas, why would you want to outsmart the markets? Hold back your ego
- **At a used-up higher timeframe zone.** A used-up area (retested several times) is not high probability, neither plan a confirmation trade nor a set & forget on these areas, or you will know what blowing up an account is. In order to trade off an used-up higher timeframe area, we'll need a new direction confirmed with the possibility of drawing a valid trendline connecting two peaks of valleys, or an important support/resistance and/or supply/demand taken out in a very clear and obvious way

D1 SUPPLY ZONE IS TOO WIDE AND THERE ARE NO PAST 4H/1H SUPPLY LEVELS TO LEAN ON

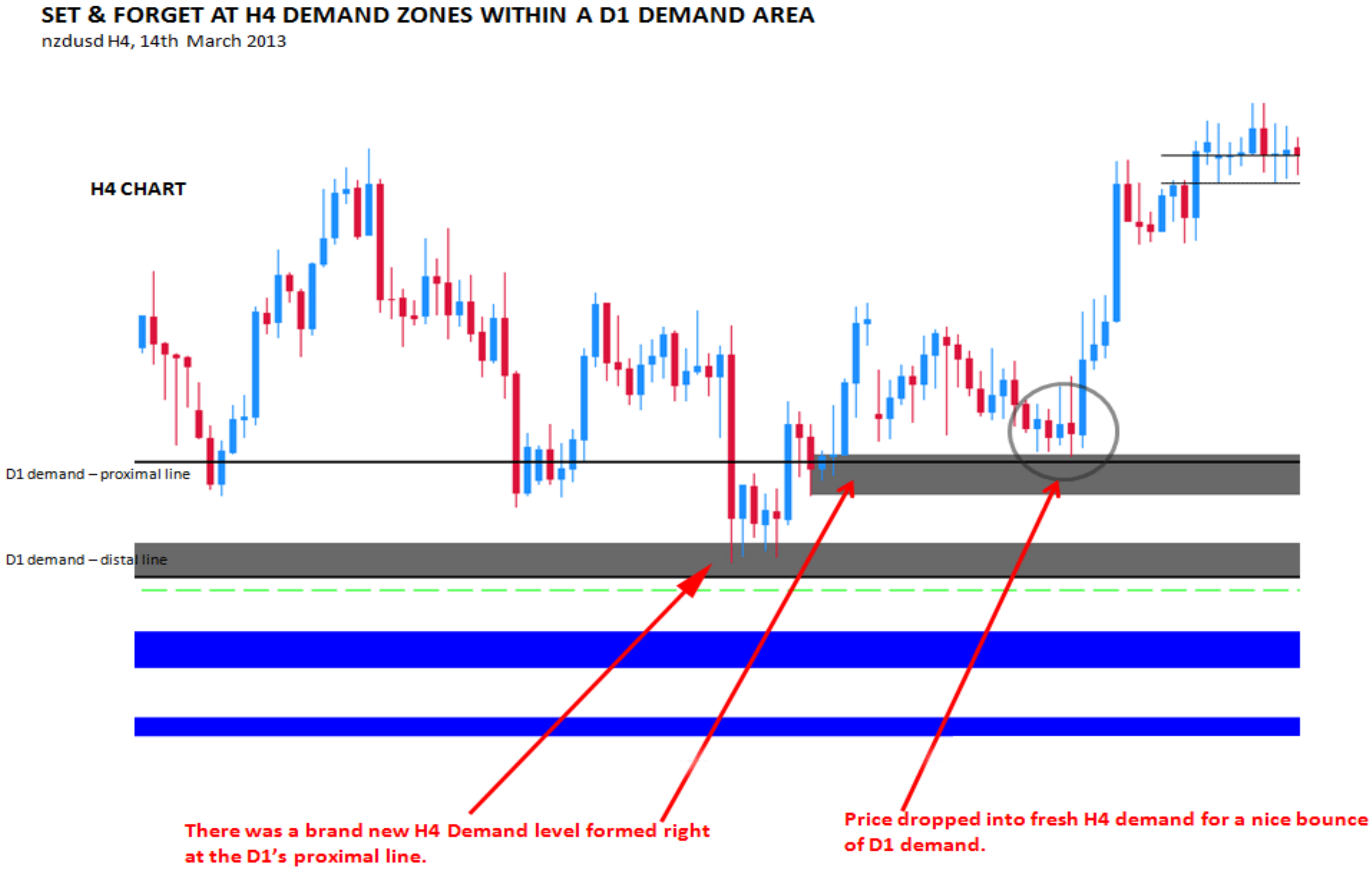
eurjpy H4, 7th February 2013

ACTION:

1. Wait for a brand new H1/H4 Supply area to lean on

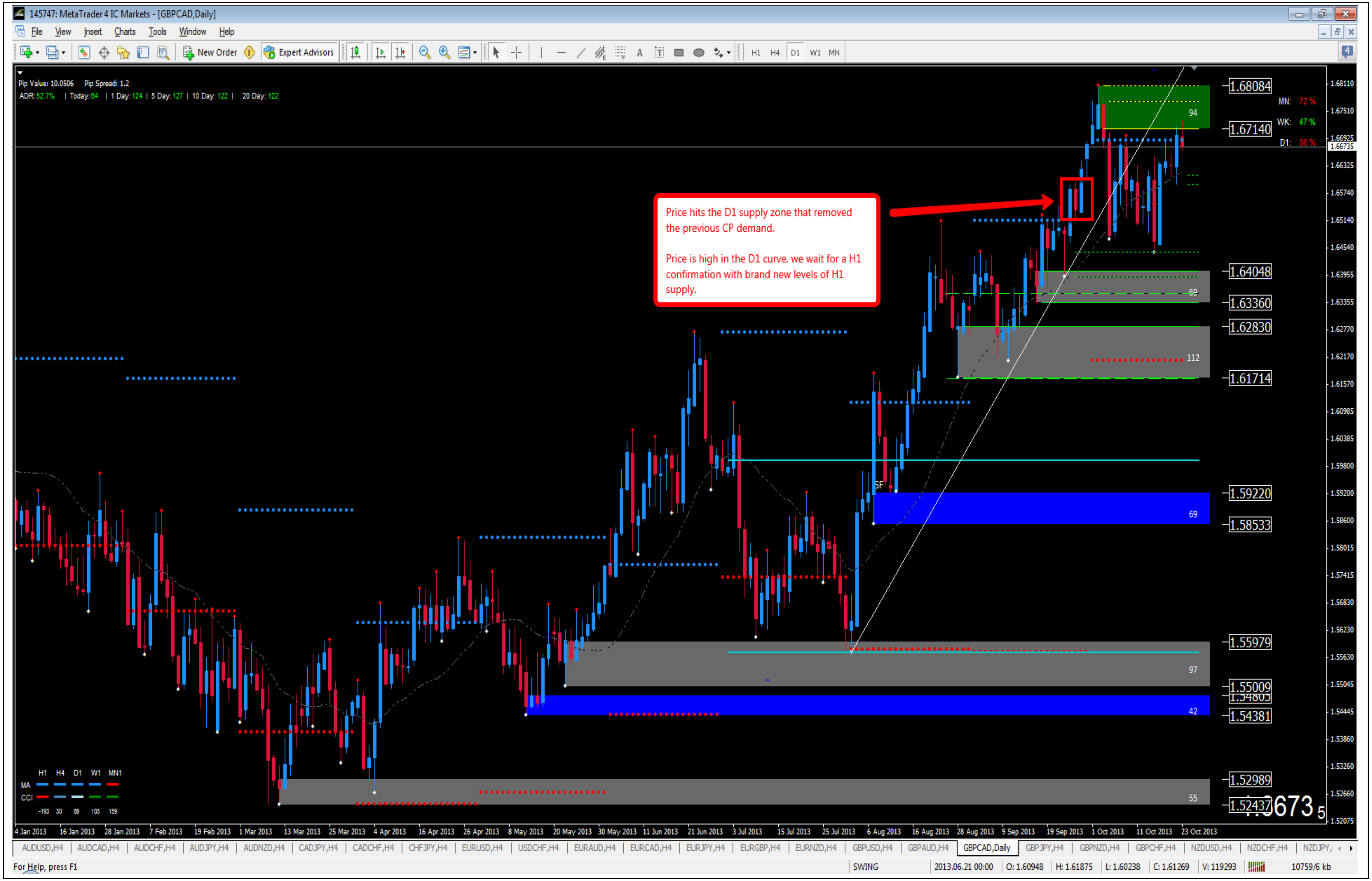


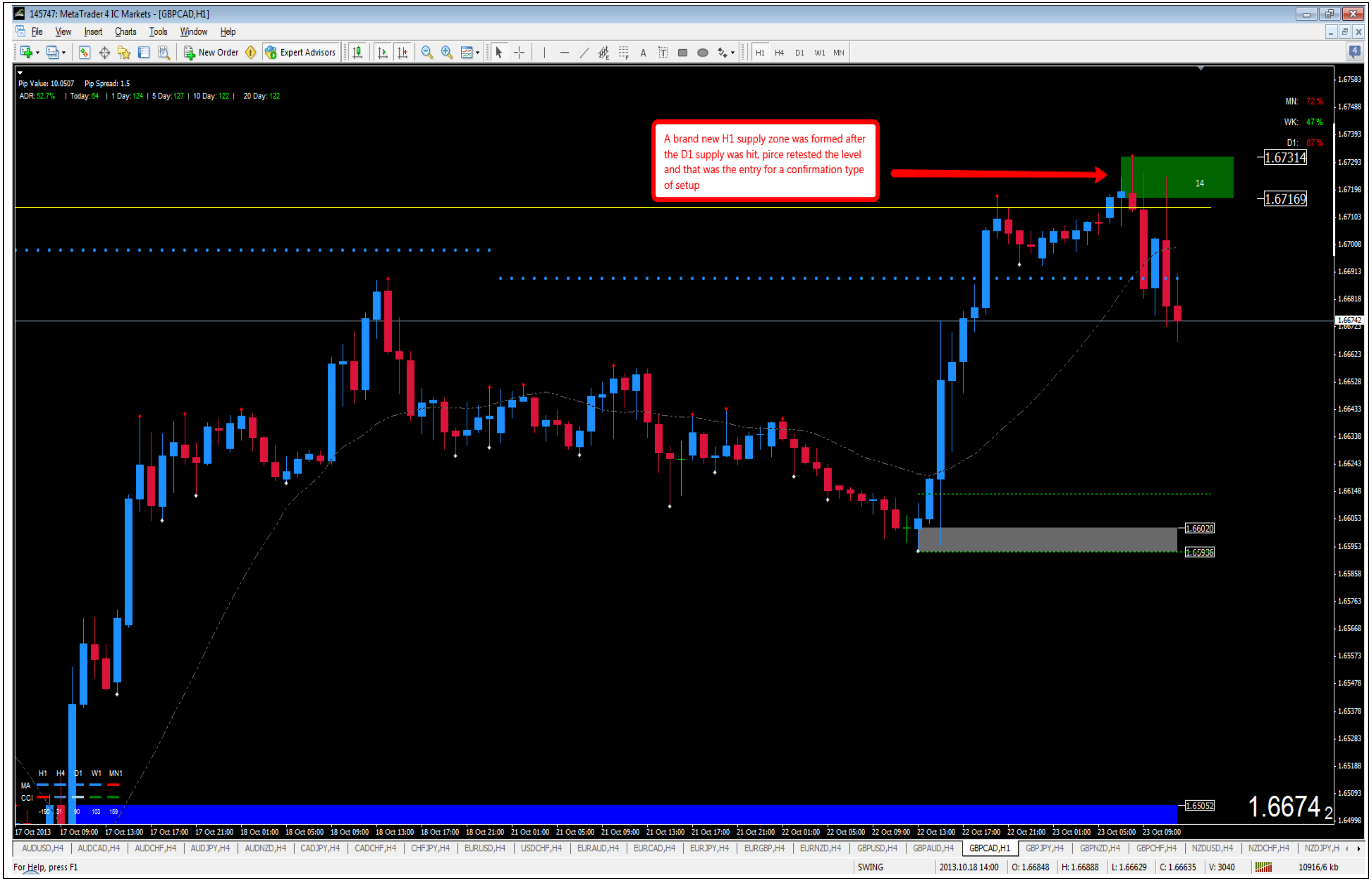
SET & FORGET AT H4 DEMAND ZONES WITHIN A D1 DEMAND AREA nzdusd H4, 14th March 2013



EXAMPLE OF D1/H1 LOCATION CONFIRMATION TRADE SETUP I normally don't trade the D1/H1 combo, I am more of a swing trader and not an intra-swing trader, but this is a pretty obvious example of the D1/H1 playing out GBP/CAD.

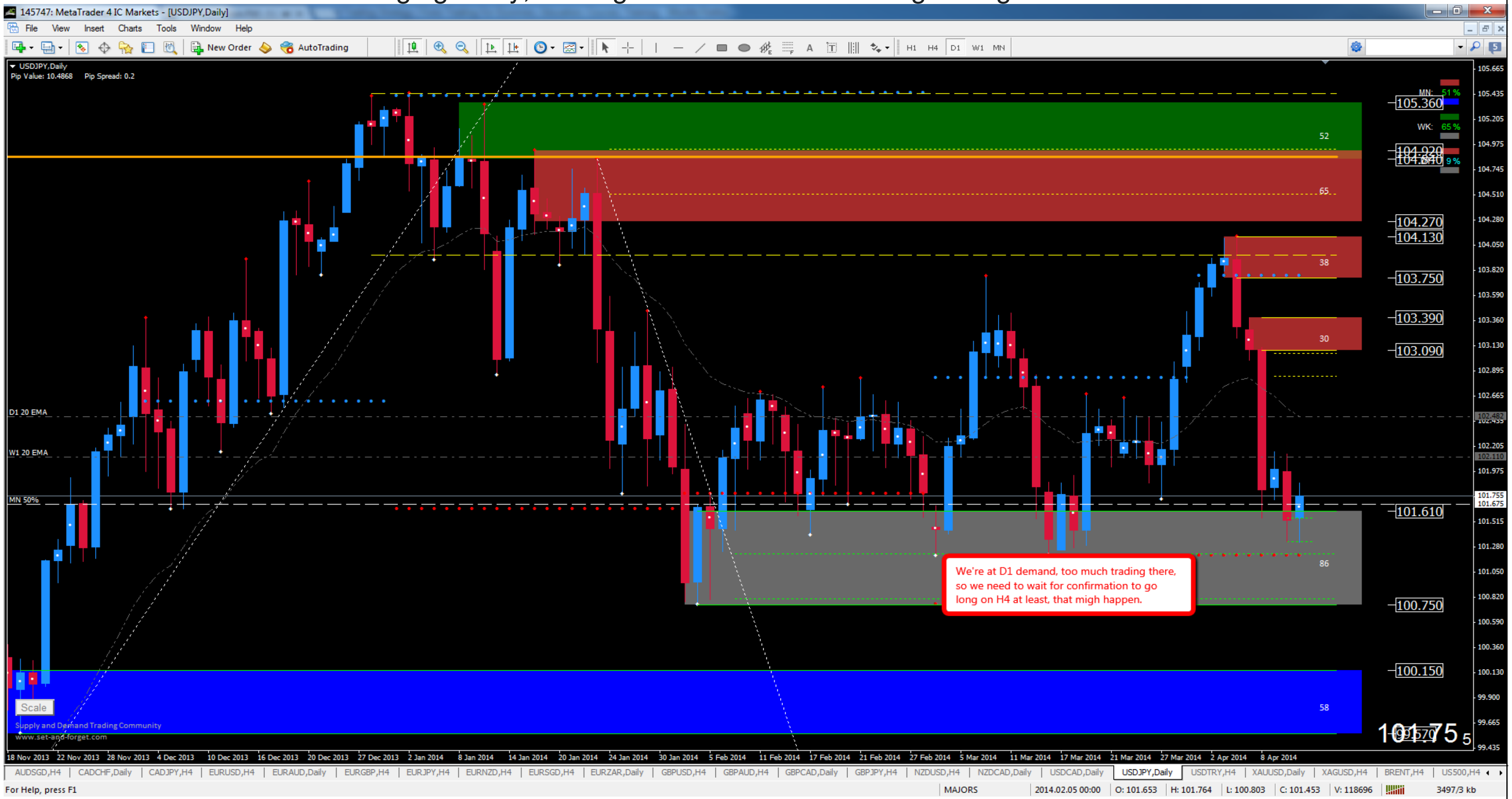
- Price hits the D1 supply zone that removed the previous CP demand
- Price is high in the D1 curve, we wait for a H1 confirmation with brand new levels of H1 supply
- A brand new H1 supply zone was formed after the D1 supply was hit, price retested the level and that was the entry for a confirmation type of setup

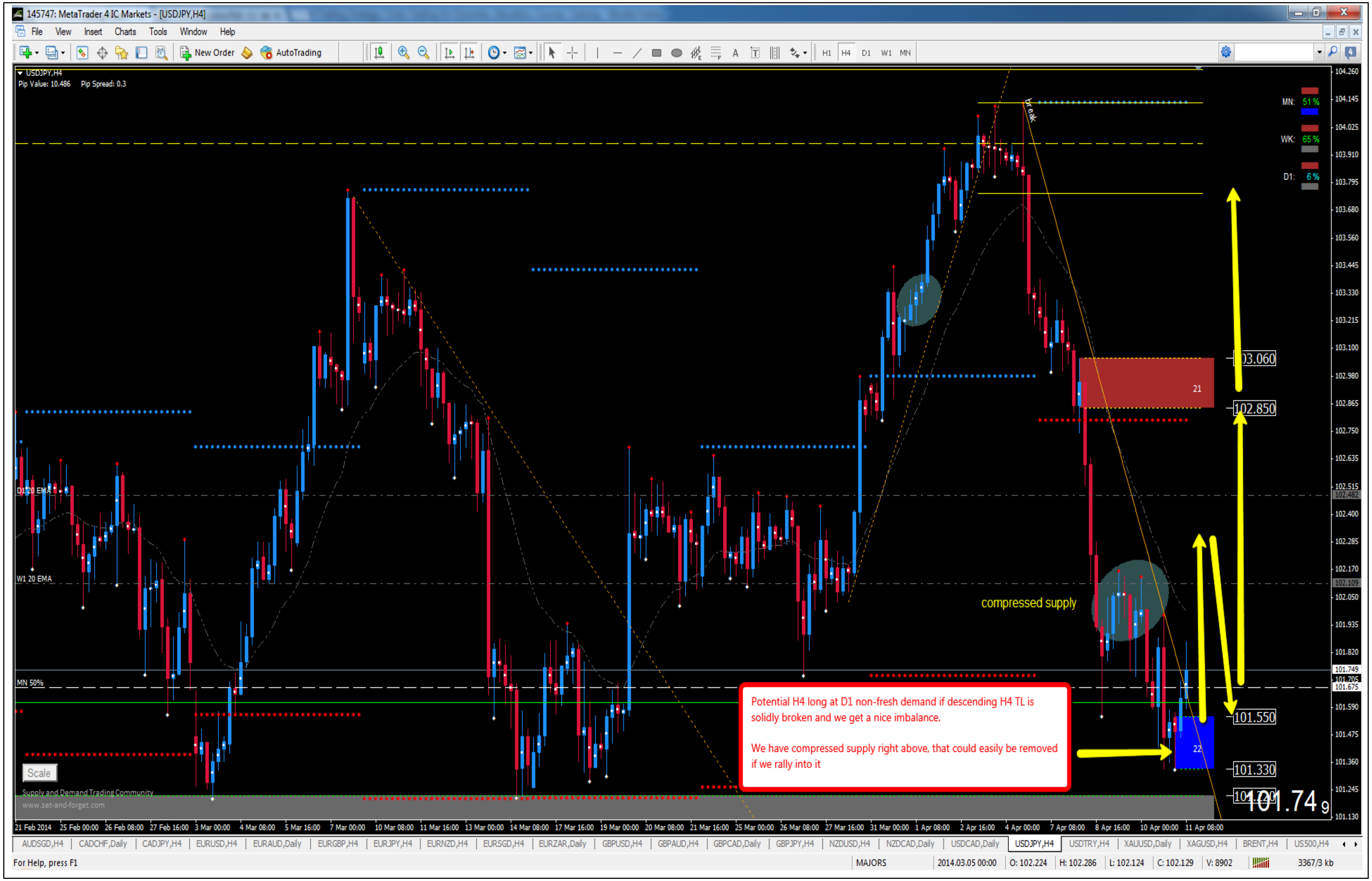

145747: MetaTrader 4 IC Markets - [GBPCAD,Daily]
Price hits the D1 supply zone that removed the previous CP demand.
Price is high in the D1 curve, we wait for a H1 confirmation with brand new levels of H1 supply.
1.68084
1.67140
1.64048
1.63360
1.62830
1.61714
1.59220
1.58533
1.55979
1.55009
1.54381
1.52989
1.52437
For Help, press F1


145747: MetaTrader 4 IC Markets - [GBPCAD,H1]
A brand new H1 supply zone was formed after the D1 supply was hit, pirce retested the level and that was the entry for a confirmation type of setup
1.67314
1.67169
1.66020
1.65936
1.6674

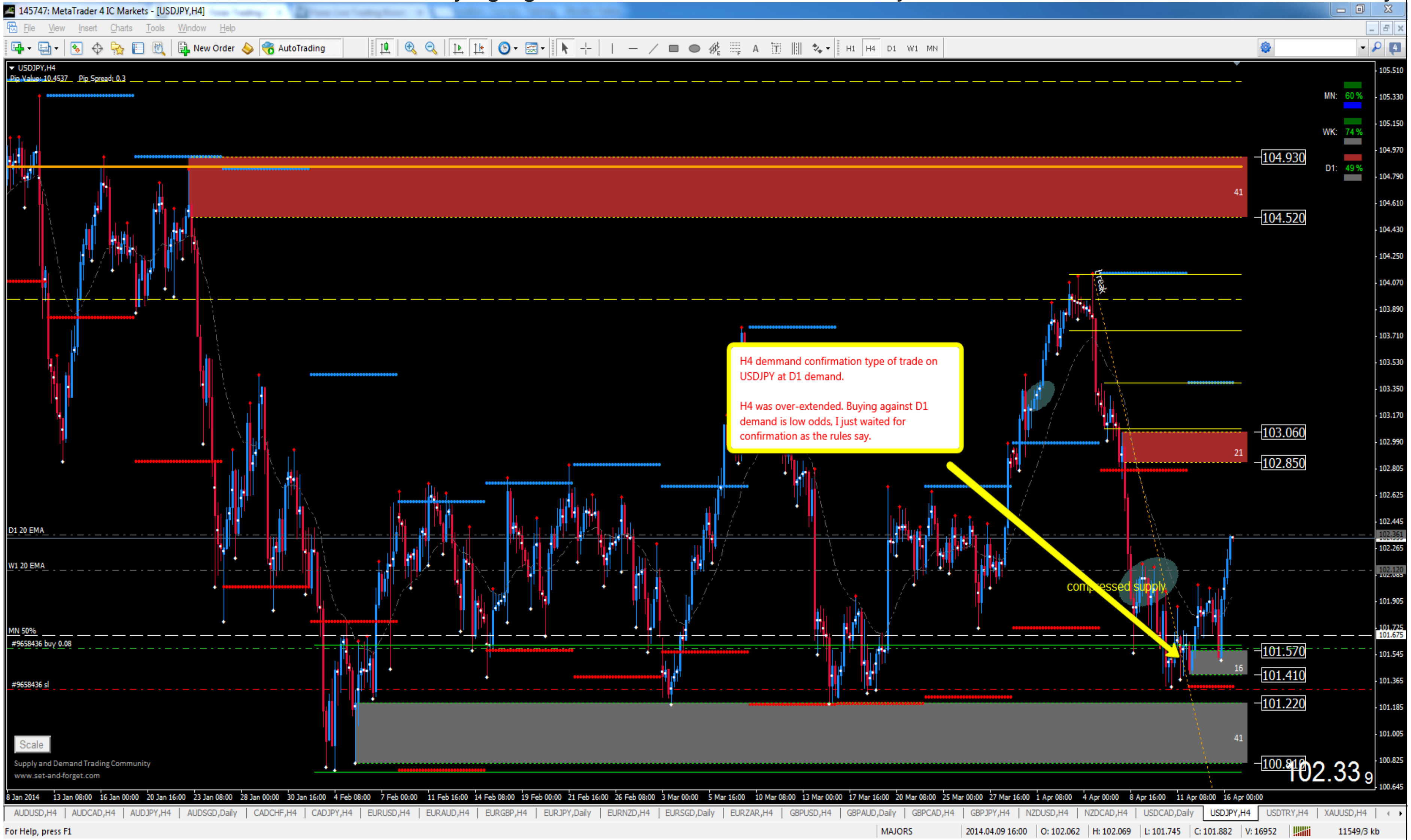
Example of H4 confirmation at a HTF demand that had several touches: USDJPY H4 15th April 2014

- Potential H4 long at D1 non-fresh demand if descending H4 TL is solidly broken and we get a nice imbalance.
- We have compressed supply right above, that could easily be removed if we rally into it
- WK and D1 are ranging really, making lower lows and then higher highs




145747: MetaTrader 4 IC Markets - [USDJPY,H4]
USDJPY,H4
Pip Value: 10.486 Pip Spread: 0.3
D1 20 EMA
W1 20 EMA
MN 50%
compressed supply
103.060
102.850
101.550
101.330
Potential H4 long at D1 non-fresh demand if descending H4 TL is solidly broken and we get a nice imbalance.
We have compressed supply right above, that could easily be removed if we rally into it
Supply and Demand Trading Community
www.set-and-forget.com
For Help, press F1

- Classic H4 demand confirmation type of trade on USDJPY at D1 demand.
- H4 was over-extended. Buying against D1 demand is low odds, I just waited for confirmation as the rules say



Minimum Risk Reward and Profit Margin to validate levels

If you can't get your entry correct, that is a low-risk, high reward and high probability, the other components of your trade, such as the exit and trade management will not work*. This is why we need to have rules to validate level's imbalances.*

During a trading analysis you will be asking yourself these 2 questions all the time:

- Is the imbalance of that demand level good enough to plan a trade?
- Do I have enough room to opposing supply and/or resistance?

We need to have clear and strict rules in order to avoid confusion.
This is why the Mininum Risk/Reward and Profit Margin concepts will help us think in a more robotic way.

No matter how many probabilities enhancers (imbalance, freshness, # of pullbacks, etc) are present on a level, the risk/reward must be there ALWAYS

1. We need a minimum 2:1 RR imbalance at the origin of a level to validate it
2. We need 3 RR + 1 RR Profit Margin in order to have a fix 3 RR Take Profit. We don't want to have our exits right at the opposing level, it's better to have a cushion room of 1RR and exit before it for our fix exit
3. RR validates the origin and strength of the imbalance, profit margin validates the exit/TP
4. RR is measured from distal to proximal line. Wiggle room and padding pips are not taken into account to calculate the imbalance, only for your TP
5. We need 3:1 RR to plan a trade, but we want to have more than 3:1, we don't want an opposing level sitting right at 3:1. A rule of thumb would be having 1RR more than our final TP
6. Do not try to hold a trade against an opposing great fresh and/or original level, don't be greedy
7. A trade that does not have a 3:1 RR profit potential is not a valid trade. We do not want to risk 1% of our account to potentially obtain less than 3% profits

Most people who find 3:1 on a chart, set their trades up to take profit at 3:1. That is not correct. We need to make sure the chart was offering at least 4:1 and then take profit at 3:1.

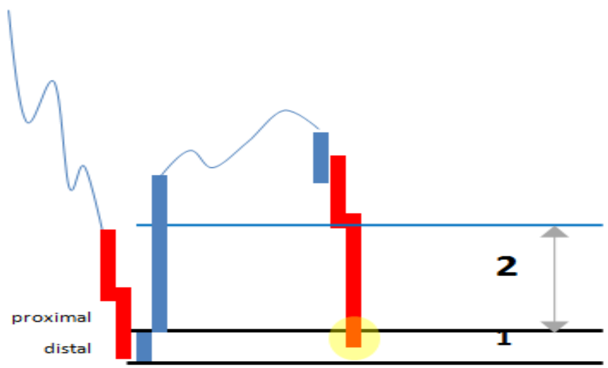
Examples:

- If we are looking for opportunities that offer you a 3:1 RR --> We need 4:1 RR cushion room to opposing SD level, however our exit would be at 3:1 RR
- If we are looking for opportunities that offer you a 4:1 RR --> We need 5:1 RR cushion room to opposing SD level, however our exit would be at 4:1 RR
- If we are looking for opportunities that offer you a 5:1 RR --> We need 6:1 RR cushion room to opposing SD level, however our exit would be at 5:1 RR

MINIMUM RISK REWARD RATIO TO VALIDATE SD LEVEL

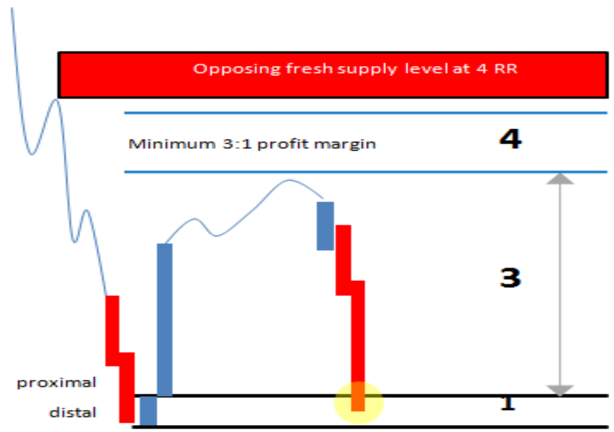
Imbalance versus profit margin

1. We need a 2:1 RR imbalance at the origin to validate a level



A level needs to create a minimum 2:1 RR imbalance in order to be validated. RR is measured from distal to proximal line. Wiggle room and padding pips are not taken into account.

2. We need 3 RR + 1 Profit Margin for a 3 RR TP



We need 3:1 RR to plan a trade, but we want to have more than 3:1, we don't want an opposing level sitting right at 3:1. A rule of thumb would be having 1RR more than our final TP.

How to pre-plan a supply and demand trade in a mechanical way

There are certain variables you need to take into account when pre-planning a trade, the default values differ whether it's a long or a short trade, it is also different if you are trading a major pair versus a cross pair, or if you are planning an intraday or a swing trade.

Remember that we must PRE-PLANNED,every single trade. *A manual market execution order is probably driven by emotions, this is why we have to make a thorough multiple timeframe analysis before planning a trade, and this will help us to prevent emotions from popping in our analysis.*

These variables are:

- **Entry price.** This is the proximal line of the SD level we plan to trade
- **Stop Loss.** This is the price that will protect our trade. Always a few pips away from the distal line
- **Targets**. These are the prices where we intend to lock in some profits or exit our trades fully
- **Entry padding.** Number of pips above/below our proximal line of our SD level that we can optionally add
- **SL padding or Wiggle Room**. Number of pips above/below our SD level distal line we need to add to protect our trade from market makers and spread widening

It's paramount that you take into account these variables, otherwise you might probably miss many entries as well as not reaching your TP for a few pips.

AVERAGE VALUES
FOR PADDING AND WIGGLE ROOM

VARIABLE	H1	H4	D1
ENTRY PADDING	2 pips + average spread if longs	2 pips + average spread if longs	2 pips + average spread if longs
WIGGLE ROOM PADDING	8 pips (majors) 10 pips (crosses) Custom (exotics, indexes)	12 pips (majors) 15 pips (crosspairs) Custom (exotics, indexes)	25 pips (majors) 30 pips (cross) Custom (exotics, indexes)
TAKE PROFIT BEFORE OPPOSING LEVEL	20 pips before level Custom (exotics, indexes)	30-40 pips before level Custom (exotics, indexes)	50-60 pips before level Custom (exotics, indexes)

STOP LOSS, SPREADS, PADDING AND WIGGLE ROOM

- Always **add Wiggle Room to your Stop Loss Price**
- Add the average spread to your entry price when going long
- A SL hit on a Buy order is a Sell order, a SL hit on a Sell Order is a Buy order

BUY ENTRIES	**SELL** ENTRIES
ENTRY: BUY LIMIT → **ADD SPREAD**	**ENTRY:** SELL LIMIT
TARGETS (TP): SELL LIMIT	**STOP LOSS**: BUY STOP → **ADD SPREAD + WIGGLE**
STOP LOSS: SELL STOP → **ADD WIGGLE**	**TARGETS (TP):** BUY LIMIT → **ADD SPREAD**

STOP LOSS, SPREADS, PADDING AND WIGGLE ROOM

SELL ENTRY	INITIAL PRICE	FINAL PRICE
STOP LOSS: BUY STOP Add Spread + Wiggle	1.3020	1.3029 1.3020 + 2 + 7 (spread + wiggle)
ENTRY: SELL LIMIT	1.3000	1.2998 subtract 2 pips entry padding
TARGETS: BUY LIMIT Add Spread	1.4000	1.4002 1.3000 – 2 pips spread

EURUSD H4 SHORT:
Spread: 2 pips
Entry padding: 2 pips
H4 level width: 20 pips

Target: 100 pips Target
Wiggle room: 7 pips

BASICS ON HOW TO MANAGE YOUR TRADE

RISK	RULE
INITIAL RISK/REWARD	Make sure you have at least 3:1 RR
MOVE SL TO BREAKEVEN	a) **Ongoing trend** Move SL to BE after 2:1 of your initial risk (level's width + wiggle room) b) **At higher timeframe extremes (D1 and above, fresh and/or original)** Move SL to BE after 4 or 5:1 or after an important opposing SD level has been taken out
TRADE MANAGEMENT	Technical stop above/below new valid SD levels created on your entry timeframe in the direction of your trade
WHEN TO TAKE A TRADE	Only take trades that have been pre-planned

Daily Routine. Checklist to become a Top Performer

WHY IS TRADING SO ELUSIVE?

If we want to lose 10 kg but refuse to eat well, exercise, and change the habits that created the extra weight in the first place, **affirmations by themselves probably won't work**. The same applies to our finance and trading, if we want to become financially successful but don't set goals, have plans and act upon them in meaningful ways, we can visualize all we want and we're probably going to remain where we are. Maybe in some other parallel universe we have yet to experience, we only need to hope and think about something and it will happen automatically, but here in this world we live in, action is required. If this analogy was not good enough for you think about why can't people give up smoking or why is it so difficult to break up a relationship with your girl-boyfriend...

No matter how many books on self-help, self-esteem or law of attraction you read, reading them will not help you achieve your goals. A plan of action is required to attract the circumstances that will make it happen

When we first learnt to ride a bicycle, at first it seemed impossible, didn't it? But once we got it, it was easy, and we have never lost that ability. The same applies to trading.

The biggest hurdle is our doubt that we can do it. *With practice we will find this is easier than we originally thought, and the results that we obtain will speak for themselves.*

To be successful you have to do more than just think about success; you must act in meaningful ways, attracting the circumstances that make it happen. If we want a healthy body, a promotion in our full time job, a million dollars, success in trading, or any other goal we have envisioned for ourselves, we need to do more than thinking we can do it and then sit back hoping for the best.

When you believe it's possible a thousand unseen helping hands will come to your aid when we embark on a course of action that has passion for us. *Passion is key in the former statement. We must feel passion about what we do, because passion will keep us focused, attentive and alive*

It's through daily repetition that the conscious mind imprints patterns into the subconscious. This is why I am always emphasizing the importance of a daily routine and practice. Sacrifice is needed, it sounds unpleasant but it is not. We sacrifice watching TV so we can work out at the gym or going out for dinner with our friends. We must not be ignorant about what is required to become successful in trading or in life, we have to be willing to make whatever is necessary to achieve our goals.

PLAY TRICKS WITH YOUR MIND & EMOTIONS

You may think that you are in control of your behavior, unfortunately none of us is. Our behavior is controlled by our thinking, and our thinking is controlled by our feelings and emotions, and then by our physiology. Read about this in more detail here

Trading is emotional, we need to take control of our emotions in order to have success in trading. We need to listen to our body and measure our emotional temperature. Our body will tell us how we feel if we ask him and we're ready to accept what it is telling us. Don't trade when you are low, sad or very high, you will make many mistakes.

We have to play tricks with our mind so that those emotions can be overridden. In order to achieve that, we need to have a plan and follow it successfully. We need to create habit, repeat the same thing over and over until our mind can't think of anything else but the newly created habit.

Some of the tricks that I use:

- **Get up and get dressed as if you had to drive to your office.** Most of us work from home since we are retailers that trade for ourselves, we don't have a physical office other than our private office at home (our bedroom, living-room, whatever). Working from home is a dream for those that do not work from home, but it has a lot of disadvantages. The main one is that you time flies and you can spend 10 hours in front of the computer non-stop, that would be over-trading and over-analysis if we apply it to trading. Wake up, have breakfast, get dressed as if you had to drive to your office downtown, this will allow get your mind into thinking you are leaving home and you have a boss (subconscious) to make happy
- **My office closes at midday.** Imagine you work for a company and your office closes at midday, just 3 hours after you start working. You have to be very efficient and know what you are doing because after that time is past you will no longer have access to your computer and you will won't be able to make any further analysis or placing any trades till next day at 7 or 8 a.m when you start working
- **Don't run your trading platforms to watch your charts till next day.** Once you have finished your analysis, close your trading platform and do not open it till next day, it's completely forbidden. Remember you don't have access to your trading platform since the office is closed, be efficient and have all your work ready in 3 hours or you will have to complete on the next working day. If somebody asks you about a trading setup or you think you have to load your trading platform to check a doubt, you can't do it, you have no access to your office remotely
- **Uninstall your trading platform from mobile.** Do not install Metatrader or whatever trading platform you are using on your mobile. Remember your office is closed and no remote access is permitted. If your boss learns about it, you are fired. Be

consequent with your actions, you might lose your job

- **Forward test with Forex Tester when your live trading hours are over.** Once your office is closed, you just can simulate price action by forward testing with Forex Tester 2 or any other software that will allow you to hide future price action. Do not backtest or visual back test with your trading platform (Metatrader or similar) because you will be tempted to look at current price action and then your boss (subconscious) will know about it, you will break the rule and your emotions will gain control again
- **Practice, practice, practice.** In a diet and you feel the urge to eat some sugar? Eat an apple! Still feel the urge to trade but no access to live feed? (remember it's forbidden). Use your time to practice and forward test

DAILY ROUTINE

Top athletes perform well because they have rituals and routines for everything single thing they do in life.

This routine can take you about 1-2 hours every day, some days it can take you less, about 30 to 60 minutes maximum. It will depend on how many pairs and which entry timeframe you are trading, as well as how experienced you are.

Since I am on GMT +1 by living in Spain, I can trade the best 2 markets, London Open and NY Open. I have chosen to trade the London market, since it's the biggest market and it is on my time zone. However, it doesn't really matter which market you choose since we are focusing on swing and position trading. You can trade at nights after work, from work or from home when you have some spare time, SD levels have no waking time, they just exist.

The beauty of supply and demand swing trading and having a strict plan is that you don't have to be in front of the computer all day long

Once you have your HTF zones painted on your charts (D1, WK and MN), you won't have to draw them every day. Those zones hold longer than you think on a WK/H4 and MN/D1 combos, even on a D1/H1 combo. Your homework is done from the previous day, you just have to look at your entry chart and decide if you can buy or short according to the strict rules you should know by heart. If the decision process takes longer than 10-20 seconds, you are in trouble, skip to the next pair.

-

1. **Check your emotional temperature.** What the heck is this?
    - If you feel anxious, sad, low or exactly the opposite, don't trade, you will not be making the right decisions. Take your day off
    - Being in control of your feelings and emotions is essential for trading, you need to have a clear mind. If you feel emotional, auto-sabotage will probably occur
    - Ask yourself how you are feeling, take your emotional temperature and make an objective decision
2. **Check what the US Dollar Index is doing**
    - Forex is all about trading currencies and speculating on other countries' economies
    - The US Dollar is one of the strongest ones if not the strongest
    - The dollar index is a major index and key to Forex traders
    - If the dollar index has hit a fresh and original HTF supply, the euro and the major will probably start bouncing off if they are also close to an opposing HTF demand area
    - Pay very close attention to the US Dollar Index is doing
3. **Check Forex Factory site to see if there are major news event coming soon**
    - Create the habit of checking out FF for majors news event for the day and week
    - Plan your week head with the major high impact news in mind
    - News can easily remove SD levels if these are not located within a HTF zone
    - Avoid unnecessary losses by staying out of the markets before, during and after major news events
    - Alternatively you can use www.myfxbook.com, it has a news calendar where you can set alerts and receive them by email if you are logged in
4. **Load your Metatrader 4 platform and SD higher timeframe levels spreadsheet**
    - By using the SD HTF spreadsheet you will have a bird view snapshot of where the pairs you are trading at are in the bigger timeframes SD curve
    - If you load the spreadsheet and you see PURPLE distal lines, that means a HTF area has been just broken
    - If you see a BLUE proximal line, price has hit or is within a HTF demand area
    - If you see a RED proximal line, price has hit or is within a HTF supply area
    - If you see YELLOW, a HTF zone is 50 pips off being hit or has already hit it and bouncing off it
5. **WATCH FIRST those pairs that are close or at HTF SD zones OR whose distal zones are in purple**
    - When you first load MT, which pair will you look at first? You should pay attention to those that are close or at HTF SD zones or have had the zone broken
    - Why should you start with EURUSD if that pair is doing the same thing it was doing yesterday? Leave it for later in the

process, first things first

- Broken zones might be providing some nice long/short opportunities, if you look at them the last you might miss those setups
- Price at HTF SD areas might have setups ready to take out, look at those first as well

6. **Check what the MAJORS are doing in the specific order you like the most**
   - For me the majors are the majors economies currencies: EURUSD, USDCHF (euro's mirror), GBPUSD, AUDUSD, NZDUSD, USDCAD, and USDJPY
   - Check FIRST those majors that have some HTF zone broken, then those close to a HTF SD zone
7. **PRE-PLAN all of your trades**
   - Decide what direction you can take on the setups you located and place your limit orders
   - Decide which conditions would prevent you from taking the trade or make you cancel them (TL break, HTF too close, etc.)
   - ALWAYS pre-plan all of your trades, do not use Market Execution orders because those orders will be driven by your emotions. You will see that you missed a setup, trade is already playing out, you want to be in... but you know what? You missed that train, skip it!
8. **WALK AWAY, TURN OFF YOUR COMPUTER**
   - All previous tasks are overridden by this one task. If you don't stay away from your computer and leave your trades alone, you will be wasting your time and your money since you will be changing them depending on your emotional status at the time
9. **PRACTICE FORWARD TESTING IF YOU HAVE SPARE TIME**
   - You've been a good boy/girl by finishing your daily job quite fast and you have spare time. What to do? Add more pairs and trade more? No way
   - Use the remaining time to practice on Forex Tester, stay away from the live charts (you are not allowed)
   - Allow for at least 3 sessions (1 hour each) a week of forward testing with Forex Tester. Recommended 5 hours a week, organize your time as you like
   - Record the sessions and listen to some of them after some time
   - Speak to yourself, by talking out loud you will be more objective and listen to your thoughts, you will black out the noise
10. **RITUALS ARE IMPORTANT. MANAGE YOUR ENERGY AND FATIGUE**
    - Managing your energy is a decision factor for your trading routine or any other routine that you have in your life
    - Rituals are important, it's preferred that do the same thing at the same time and the same way. By doing so, a new habit will be created and it will be second nature for your mind, no further thinking will be needed to execute a routine or a habit

When to trade Counter-Trend using the Sequence and WoW trades

You have probably heard or read things like *The trend is your friend* or *Trade with the trend until it bends/ends*.

We should all be aware by now that trading with the bigger picture's trend is higher odds than trading counter-trend. However, there sometimes waiting for the right zone to enter a trade can take a long time, days, even weeks, if we are trading medium/long term.

Before you continue reading, ask yourself these important questions:

- Are you profitable trend trading? If no, why should you counter-trend? Counter-trend is trickier, more difficult and lower odds
- If you are profitable, why should you counter-trend then? Aren't you happy and you want more and more?
- Think about it....

Do not get obsessed with counter-trend, it can blow your account up, you will see counter-trend trades EVERYWHERE.

WHEN TO TRADE COUNTER-TREND

We need to be mindful of the Sequence and Realignment rules and the WoW trades, because they are the tools/patterns we have in order to locate and plan counter-trend trades. There will be clues on the charts that will allow us to make decide if we want to take the risk on a counter-trend trade.

These are the patterns we should be waiting for to counter-trend

1. **Engulfing patterns at all time highs and lows**
    - Price is over-extended and we see a MN or WK engulfing pattern, this will be the first weakness signal we'll see
    - A MN or WK engulfing pattern will most likely be accompanied by one or more D1 engulfing or piercing patterns
    - The D1 chart should be over-extended and a D1 WoW trade will be clear
    - It's very normal to see several engulfing patterns on the D1 TF on top of each other right within a WK zone. Seeing 2 x D1 engulfing is normal, which will most likely allow us to link the valleys/peaks formed to draw a TL

2. **A MN/WK timeframe is hit but price cannot close above/below it**
    - A series of WK candles cannot close above a resistance or supply zone

3. **Price cannot close above/below a last month high/low (support/resistance)**
   - A last month/week low/high is hit and a series of WK/D1 candles cannot close above/below it
   - We'll see a series of rejection/reversal candles like shooting stars, hammers and inverted hammers, dojis, spinning tops
   - We need more than 1 rejection candle to confirm that the zone is holding and we could have a bigger retracement and a counter-trend

4. **Price cannot trade through and close above/below a flip zone**
   - See point 3, we'll be waiting for the same patterns

5. **Candle close versus trade through**
   - It's wise to wait for a candle close on the D1 or even WK TF when trying to counter-trend
   - If the opposing zone is on the WK TF, it's advisable to wait for the WK candle close before going counter-trend. Overshot levels and fake breakouts are very normal

6. **Look at price action to the left: compression and efficient rallies/drops is an odd enhancer**
   - Look left and analyze price action, compression is good for counter-trend because the compressed areas are easily absorbed when price is reacting to a bigger timeframe and is over-extended and there is a counter-trend impulse
   - Compression is normally formed of SD zones that have been tested on the way up, what some call efficient rallies/drops. I call it non-emotional trading

7. **Stay away from bigger timeframe Trendlines and 20 EMA confluences**
   - If the pullback to our counter-tend level happens after a bigger timeframe TL has been hit, wait for confirmation. Don't try to go against a bigger TF TL confluence, you will be trading against a brick wall that you want to see broken
   - The same applies to 20 EMA confluences on WK and MN timeframes

8. **At least 1 Daily zone has been taken out and room to drop to previous Daily zone**
   - Don't try to outsmart the markets taking H4 and lower timeframes entries counter-trend because you think that Monthly demand will be an inflection point
   - The bigger the TF price is reacting to, the bigger the TF you need to use for confirmation. Use at least a Daily imbalance to try counter-trend if price is at a Weekly/Monthly zone and wait for at least one opposing D1 zone to be taken out

Trade Management and Exit Tactics

Pulling the trigger to enter a trade can be the easiest part. Exiting can be very tricky. Our results will not be measured by how well we pull the trigger, but how successful we are managing our trades and exits.

A TRADE SETUP IS COMPOSED OF 5 STAGES:

1. **PRE-PLANNING**
    a. Do not take any trades if it's not pre-planned
    b. Analyze the market and decide if you have a valid trade as per the rules, room to opposing HFT SD area, that is, following your trade plan
    c. Set your limit order and wait for the setup to be triggered

2. **TRADE EXECUTION**
    a. The trade is executed by your broker. Now you are in the trade
    b. Control your emotions at this stage. You risked a % of your equity, it's a number's game
    c. Don't touch it if the rules still apply
    d. Walk away from the charts

3. **MOVING THE SL TO BREAKEVEN**
    a. When to move your SL to Breakeven to protect your trade

4. **TAKE PROFIT AND TARGETS**
    a. Which are your targets? You have 1 or more targets?
    b. Will you exit at an opposing SD area?
    c. Will you trail your SL above/below new SD zones until price reaches a HFT SD zone?

WHEN TO MOVE STOP LOSS TO BREAKEVEN + SPREAD (and/or commission)

As a rule of thumb we'll be moving our SL to Breakeven once our trade has moved at least 2:1 R/R (Risk/Reward) from our entry point.

For example:

- Long entry triggered at 1.1000, our SL is set 25 pips below at 1.0075, THEN we'll move our SL to BE at 1.1050 once price has travelled 50 pips (2 RR) in our direction
- Short entry triggered at 1.5500, our SL is set 35 pips above at 1.5535, THEN we'll move our SL to BE at 1.5430 once price has travelled 70 pips (2 RR) in our direction

RULES TO MOVE SL TO BREAKEVEN

- Move your SL to BE + Spread/Commissions after 2:1 R/R
- Other options:
  - Move to after 3:1 R/R to allow price to breath a bit more You trust in your level and you don't want to have your entry retested and kicked out of a winning trade
  - Don't move your SL to BE, your trade is either a win or a loss You don't care what price does, you want your trade to move far away from your entry price before you touch your SL

PROS AND CONS OF MOVING YOUR SL TO BREAKEVEN AT 2:1 R/R

PROS

- **Your trade is safe**, your ego will feel satisfied and you will breath better
- **Your fear of losing is under controlled**
- You can **concentrate on other setups** and forget about this one since it's now safe, you can't lose (exception: Sunday open gaps and big news events do not respect your SL)

CONS

- **Price can retest your entry before it finally takes off** of your entry level, this happens VERY often
- Your ego will fight against you if it sees that price kicked you out of a valid trade on a first retest and the trade played out really well without you riding it
- **You can miss very good trades if you don't allow price to breath** enough to accumulate/distribute before taking off

WHAT CAN YOU DO TO PREVENT PRICE FROM KICKING YOU OUT OF THE TRADE ON A RETEST?

You are tired of seeing your entries retested and then see your level working well without you riding it? We need to let price breath and orders be filled by market makers and big institutions. There are some options to prevent that from happening:

1. **Move your SL to BE + Spread/Commissions after 3:1 or 4:1 R/R** allowing price to breath a bit more
2. **Do not move the SL to BE after your minumum R/R ratio has been reached**
    - Leave the SL where it originally was, above/below your level's distal line, and let the trade breath and take off
3. **Close half of your position at 2:1 R/R or even 3:1 R/R and leave your SL alone**
    - By doing this, your trade is safe, you can't lose, fear is under control and you will feel more relaxed
    - If you close 1/2 of your position at 2:1 R/R, you will sacrifice half of your position but you will kick your ego hard in the ***, the trade is now safe, you can't lose
    - Manage your SL manually as described below

TARGETS: HOW TO MANAGE YOUR STOP LOSS WHEN YOUR TRADE IS RUNNING

Once your trade is running, there are several ways of managing your SL. Managing your SL is key to become profitable, you have to have rules in order to prevent you from closing your trade too soon. First of all you need to define your targets. A target can be either fixed or dynamic. A fixed target (exit) is a specific price where you will exit your trade. This price can be different depending on which type of exit you decide. You must make a decision before on the pre-plan stage of your trade.

TYPE OF FIXED EXITS: be realistic!!!

- **Targets 1, 2, 3 or more can be at opposing SD areas**
    - You analyze your entry TF and locate good opposing SD areas where you are going to set your Targets at. Always a few pips before within the zone, never at the zone
- **Exit at a specific $ amount**
    - Define a price based on a specific $ amount you want to earn
- **Exit at a specific % amount**
    - Define a price based on % amount you want to earn
- **Exit at a specific R/R ratio amount**
    - Define a Risk/Reward ratio at which you want to exit your trade, minimum 3:1. You can set it at 4:1 or 5:1, no matter what zones you have above/below your entry
    - Be realistic, don't set a 5:1 ratio if there is a fresh D1 supply area right at 3:1 off your long entry at demand

TYPE OF DYNAMIC EXITS:

- **Technical Stop**
    - After your entry place your initial SL under the nearest demand
    - After a new Highe High has been printed on the charts, move your SL under Higher Low
    - This is the exit that I normally use. Learnt it the hard way
- **Trendlines**
    - Since we are using Trendlines in order to assess our trend, it's also logical to use them to exit our trades if they are solidly broken in the opposite direction
    - Let price breath and use the TL rules to move your SL, moving SL underneath your TL if you are long, exiting the trade when there is full OHCL candle below the ascending TL. Opposite for a short entry

TOO MANY OPTIONS? DON'T WORRY, THERE IS A PLAN

I guess that now your head is clouded with so many different exits rules. You need to make a decision based on what type of trader you are. If you can't make it or are unsure, let me give you some hints.

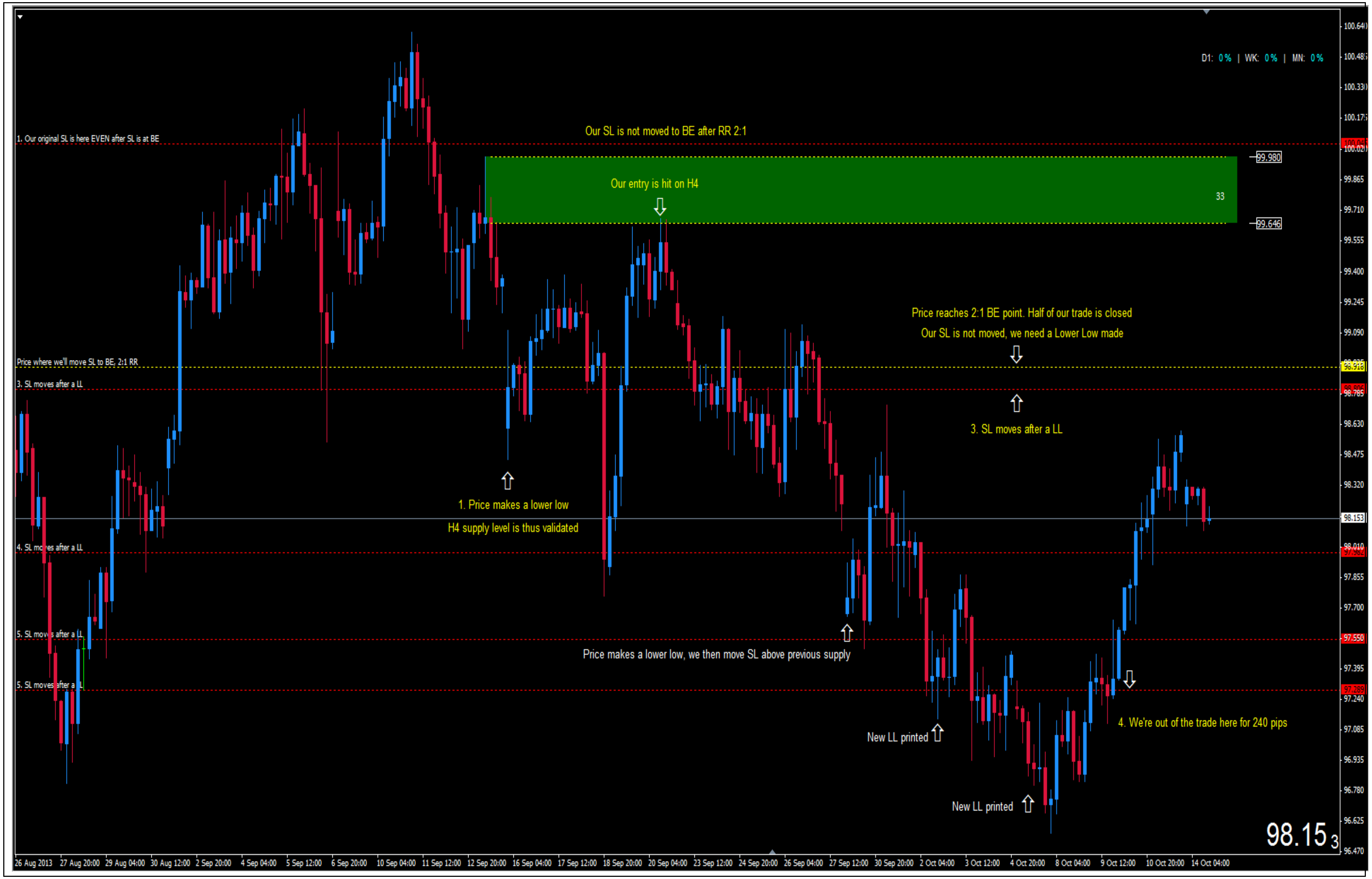
The exits strategies you chose will be directly related to where you are located in your Higher Timeframe Curve. If you are right at fresh Weekly supply, don't move your SL to Breakeven at 2:1, come on, BE REALISTIC! Let price breath! If you don't, you will probably have quite a few breakeven trades, you will most likely miss big runners!

These are the exits strategies that I use, it might help you make a decision. You can use mine as well, you ned to make up your mind.

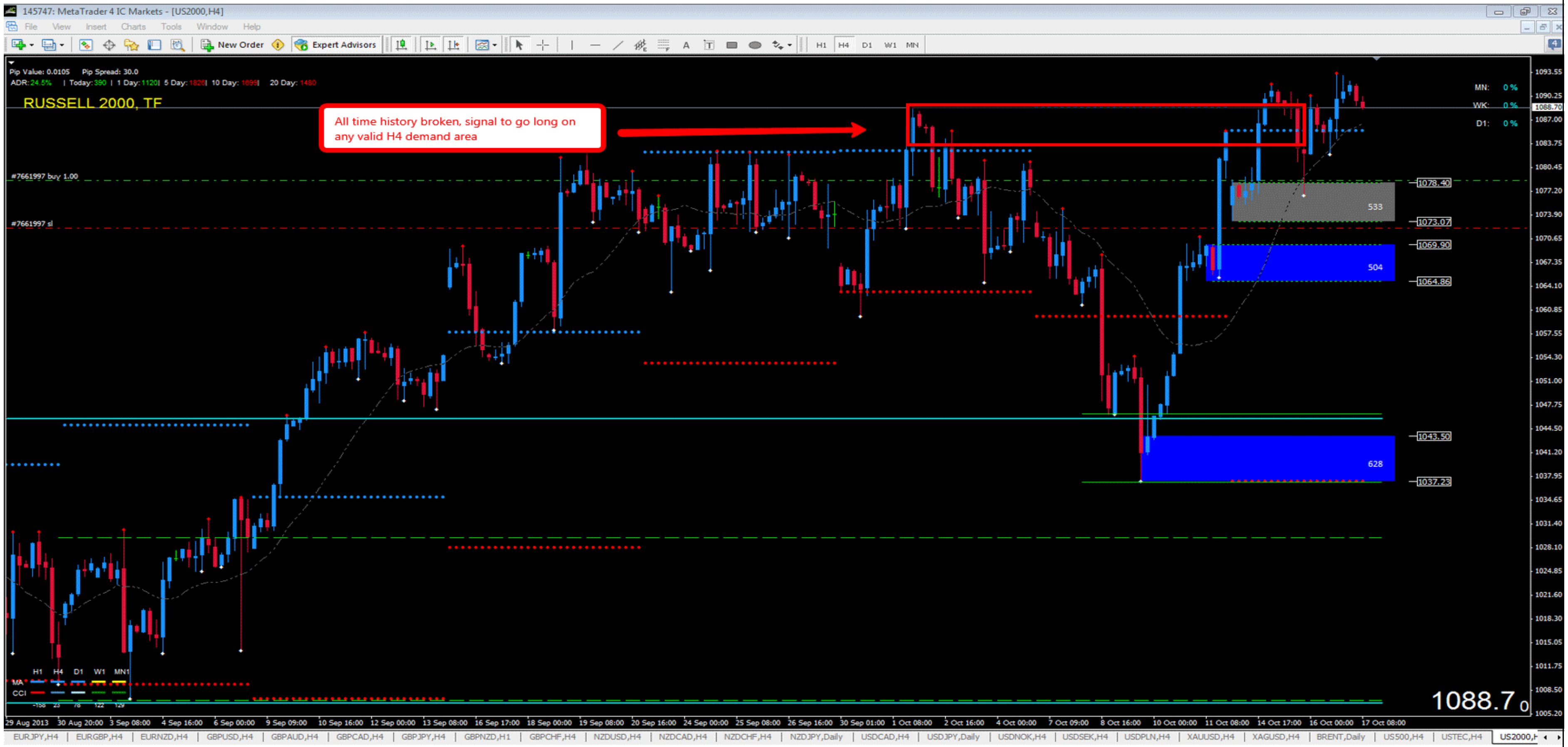
- **MOMENTUM Trade Setups with room to HTF SD zone**
    - **Close 25% or 1/2 of your position at 2:1 or 3:1 R/R and leave your SL alone a few pips away from my zone's distal line**
        - By doing this, your trade is safe, you can't lose, fear is under control and your ego won't be bothering you
        - You will sacrifice part of your position but you will kick your ego hard in the ***, the trade is now safe, you can't let it run hundreds of pips IF there is room for that of course, but fear of losing is out of the game
    - **Manage your SL manually using Technical Stops**

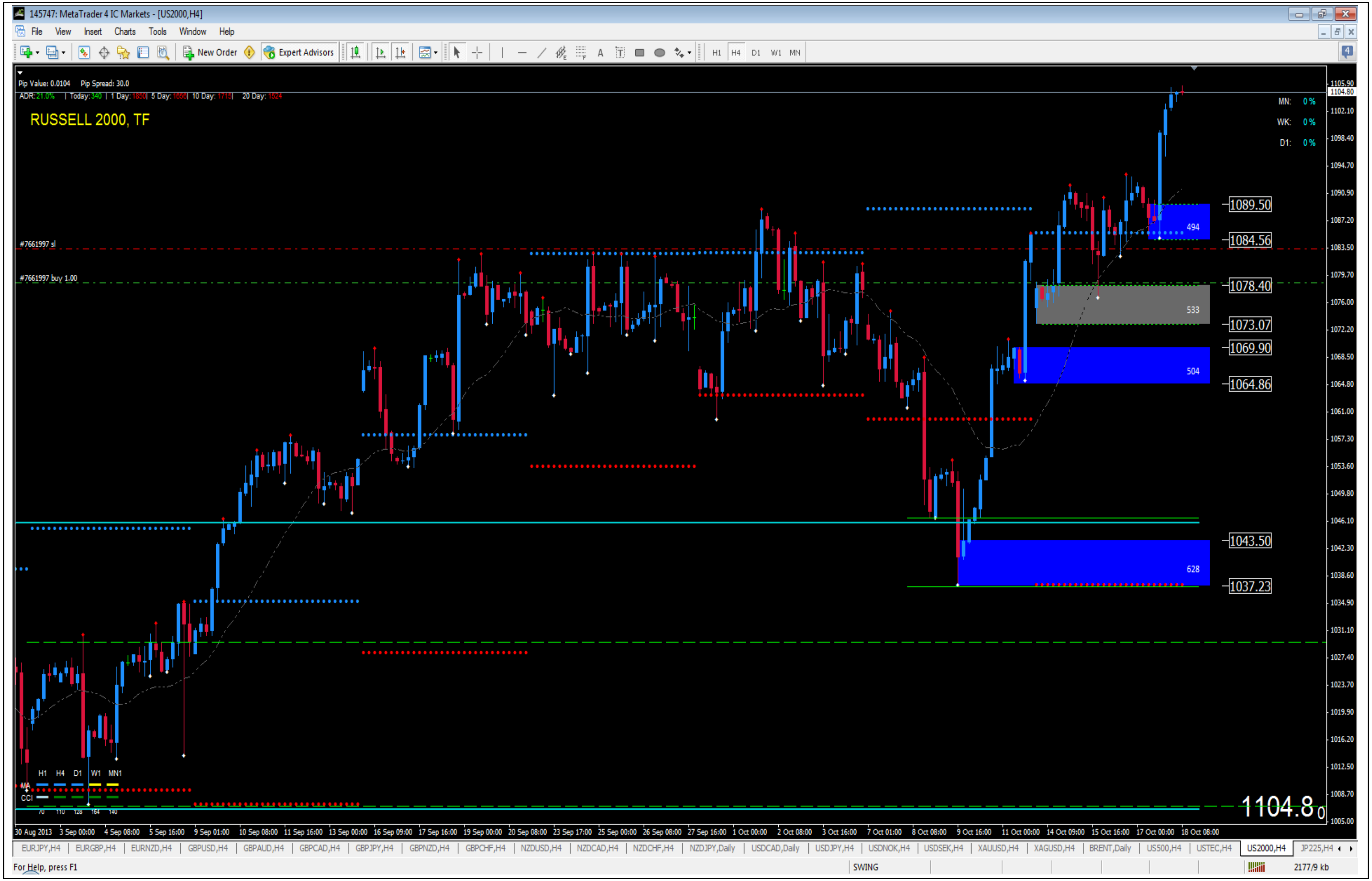
- **LOCATION and MOMENTUM+LOCATION Trade Setups with room to HTF SD zone**
  - **Close half of your position at 3:1 or 4:1 R/R and leave your SL alone**
    - A location type of trade can be a turning point in the markets, not to say if it's a fresh WK supply with a Monthly downtrend, that trade can be a runner, don't play with your SL, leave it alone
    - A location + momentum setup can become a rocket, don't play with rockets, you may regret
    - Wait for a nice departure off your level and for brand NEW SD zones to move your SL a few pips above/below those new zones distal lines
  - **Manage your SL manually using Technical Stops**

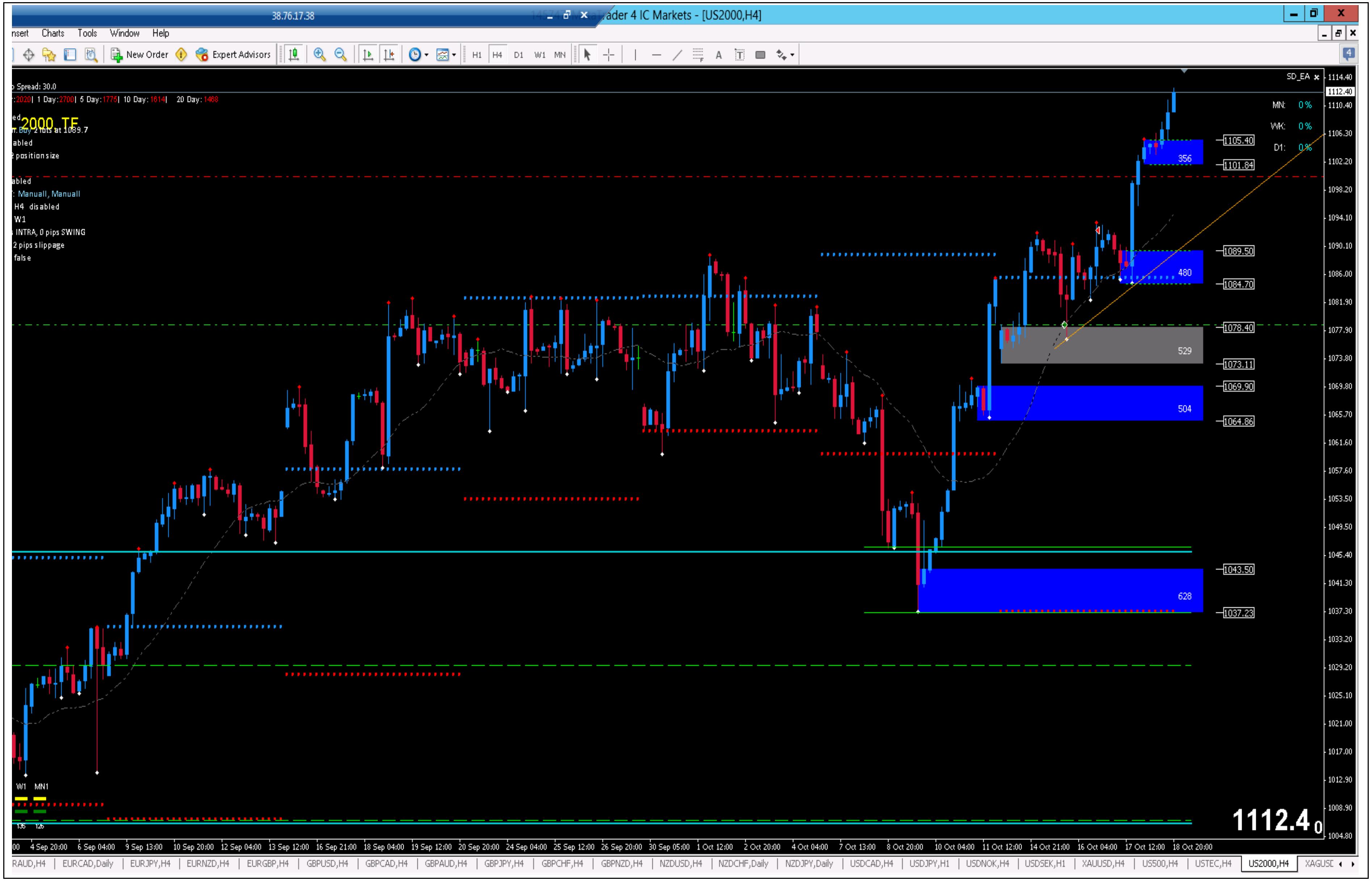
You can change the R/R mentioned here, you have to do whatever fits better with your personality as a trader.

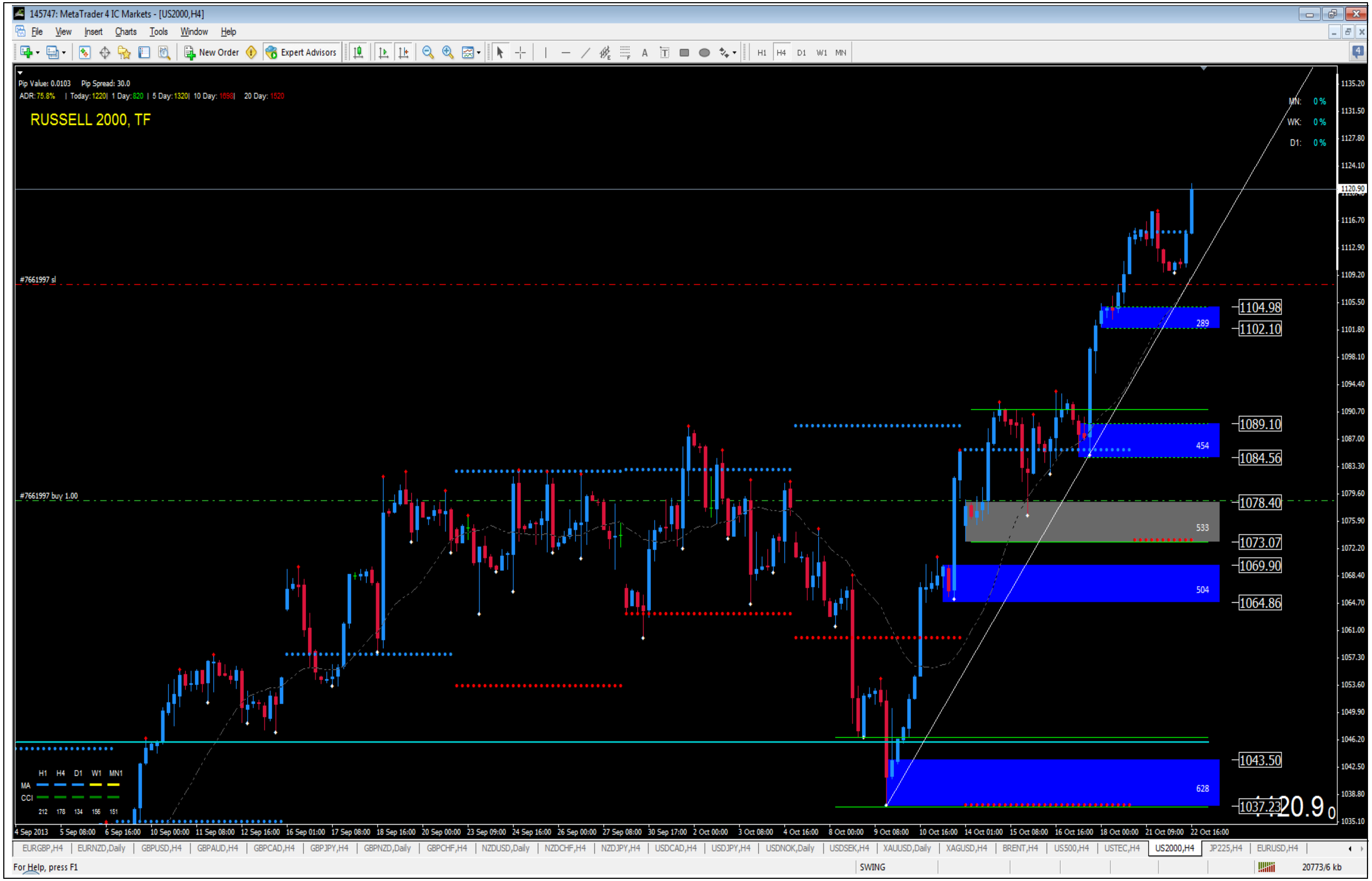

1. Our original SL is here EVEN after SL is at BE
Our SL is not moved to BE after RR 2:1
Our entry is hit on H4
Price where we'll move SL to BE, 2:1 RR
3. SL moves after a LL
1. Price makes a lower low
H4 supply level is thus validated
Price reaches 2:1 BE point. Half of our trade is closed
Our SL is not moved, we need a Lower Low made
3. SL moves after a LL
Price makes a lower low, we then move SL above previous supply
New LL printed
New LL printed
4. We're out of the trade here for 240 pips
98.153

- **LIVE EXAMPLE ON HOW TO MANAGE YOUR TRADE USING TECHNICAL STOP LOSS**
  - Once a trade is going your way (example for a long trade t H4 demand) you will move the SL underneath new valid H4 demand zones as per the rules
  - Every time there is a new H4 demand level that would be valid for a new long, having made a new High High, enough profit margin (RR) to trade it, etc, we will move the SL
  - Until when? Until we reach an opposing HTF area or we're trailed stopped out because there is no HTF are like in this case. The Russell 2000 index it making all time history highs




145747: MetaTrader 4 IC Markets - [US2000,H4]
File View Insert Charts Tools Window Help
New Order
Expert Advisors
H1 H4 D1 W1 MN
Pip Value: 0.0104 Pip Spread: 30.0
RUSSELL 2000, TF
#7661997 sl
#7661997 buy 1.00
MN: 0 %
WK: 0 %
D1: 0 %
1089.50
494
1084.56
1078.40
533
1073.07
1069.90
504
1064.86
1043.50
628
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17 Sep 16:00
19 Sep 00:00
20 Sep 08:00
23 Sep 17:00
25 Sep 00:00
26 Sep 08:00
27 Sep 16:00
1 Oct 00:00
2 Oct 08:00
3 Oct 16:00
7 Oct 01:00
8 Oct 08:00
9 Oct 16:00
11 Oct 00:00
14 Oct 09:00
15 Oct 16:00
17 Oct 00:00
18 Oct 08:00
EURJPY,H4
EURGBP,H4
EURNZD,H4
GBPUSD,H4
GBPAUD,H4
GBPCAD,H4
GBPJPY,H4
GBPNZD,H4
GBPCHF,H4
NZDUSD,H4
NZDCAD,H4
NZDCHF,H4
NZDJPY,Daily
USDCAD,Daily
USDJPY,H4
USDNOK,H4
USDSEK,H4
XAUUSD,H4
XAGUSD,H4
BRENT,Daily
US500,H4
USTEC,H4
US2000,H4
JP225,H4
For Help, press F1
SWING
2177/9 kb


ader 4 IC Markets - [US2000,H4]
nsert Charts Tools Window Help
New Order
Expert Advisors
2000_TF
SD_EA
MN: 0%
WK: 0%
D1: 0%
356
480
529
504
628
1112.4



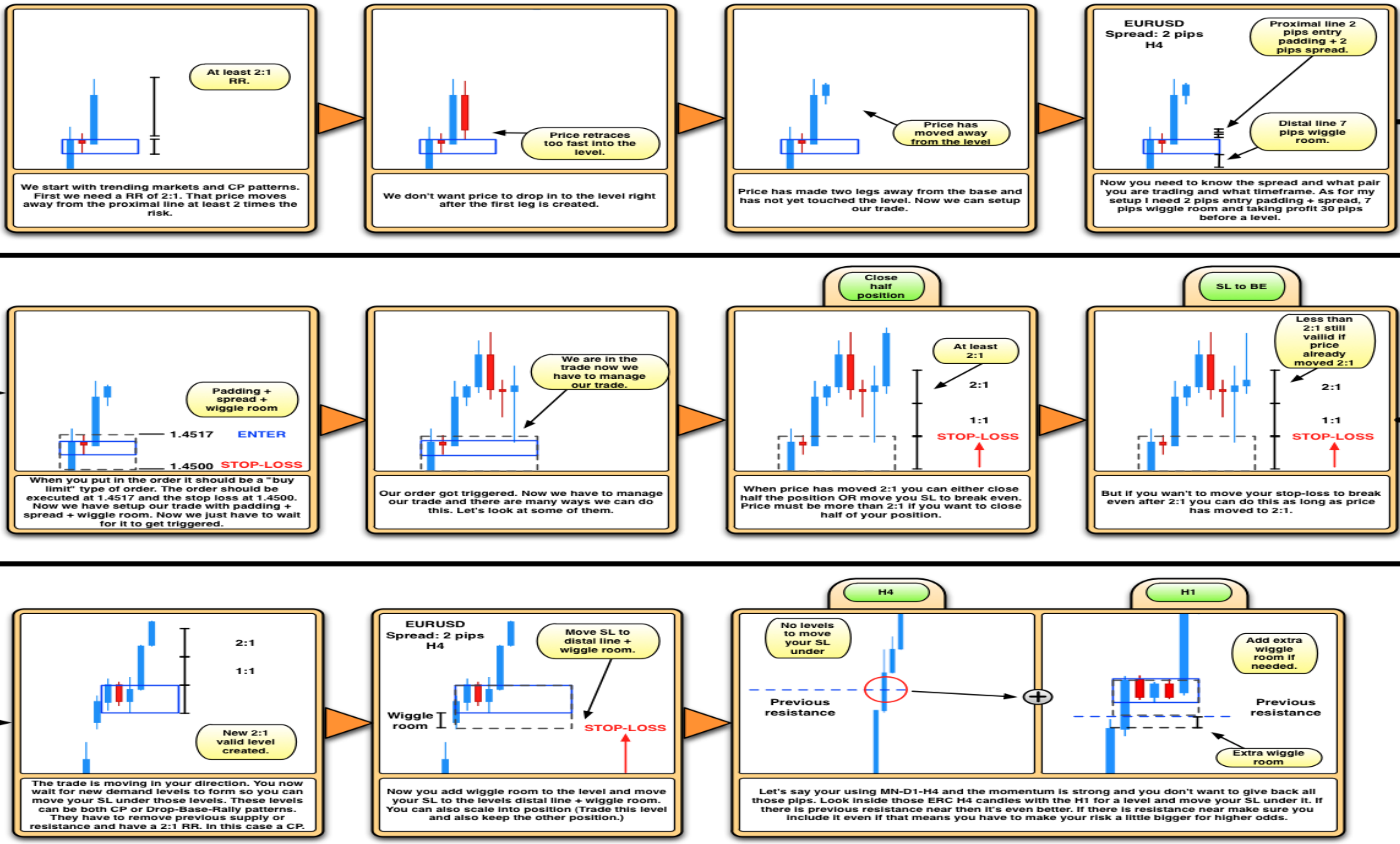
145747: MetaTrader 4 IC Markets - [US2000,H4]
File View Insert Charts Tools Window Help
New Order
Expert Advisors
H1 H4 D1 W1 MN
Pip Value: 0.0103 Pip Spread: 30.0
RUSSELL 2000, TF
#7661997 sl
#7661997 buy 1.00
MN: 0 %
WK: 0 %
D1: 0 %
1104.98
1102.10
1089.10
1084.56
1078.40
1073.07
1069.90
1064.86
1043.50
1037.23
289
454
533
504
628
For Help, press F1
SWING
20773/6 kb

READ THIS FIRST!

To understand this tutorial you should have these prerequisites:

None

Entry and exits



The Power of Risk Reward, what to expect from supply and demand

This lesson will take you on a journey that will hopefully prove to you that if you simply implement proper risk reward and have a willingness to learn a high probability trading strategy like supply and demand, you have all the ingredients to become a consistently profitable trader. To some this lesson may open his eyes, to others it may show things you already knew about but you didn't implement on your trading plan.

What do you expect from trading?

You want to double your equity in a couple months, in 6 months' time, in a year? Are you happy with 10% account growth every month, 20%? What is it that you want from your trading? It's paramount that you decide what is it that you want and put it down on your trading plan, because a lot of frustration may happen if you do not have a know what you want. Most people won't get anything in life not because they can't, but just because they don't know what they want, they don't have goals to achieve, they just wander without a final destination. Most big investors and hedge funds are happy with a 5% monthly growth. Why we retailers want a 50% or even a monthly 100% account growth? The least money a person has the more benefits he/she wants to obtain. Money is not a problem, it will come to you if you do the things right.

The Power of Risk Reward, what to expect

In order to first demonstrate the power of risk reward, I have used an Excel spreadsheet that was originally created by Forex Smart Tools (Cindy and Mindy are great girls, they created a great product) to randomly enter calculate the risk reward based on a randomly generated set of Wins and Losses. No supply and demand setups were used, nor was there any method or strategy of any kind implemented when generating this random number of trades. The parameters were simply to fill in the cells highlighted in yellow:

- **Stop Loss** pips to risk on each trade
- **Take Profit**
- **Number of wins** per 100 trades
- **Starting equity**
- **Risk** %

A total of 100 trades are generated every time one of those parameters are changed. These small experiments (calculations) were meant to prove the power of risk reward. Results showed profit after entering randomly 100 times with a risk reward of 1 to 3 on every trade, this after having lost 65 or 63 trades out of 100. This means the winning percentage for this series of trades was about 40%, so we lost on 60% of the trades and won on only 40% as you can see by the trade history, this random entry model combined with a 1 to 3 risk reward still profited after 100 trades, this with no edge applied at all and just a 40% winning ratio.

PIPS: Stop Loss	30		to recalculate: enter any number into a grey cell to the left					
PIPS: Take Profit	90	5	Total Pips Net over 100 trades:	1200		Risk %	1,0%	
Risk to Reward Ratio	300,00%	4	Starting Equity	$10.000				losses
Theoretical Target Number Wins per 100 Trades	40	5	Ending Equity Adaptive Positioning	$14.642		Ending Equity Fixed Positioning	$14.000	65
Actual Number Wins Shown per 100 Trades	12	5	Equity Change Adaptive Positioning	46,42%		Equity Change Fixed Positioning	40,00%	

PIPS: Stop Loss	30		to recalculate: enter any number into a grey cell to the left					
PIPS: Take Profit	90	5	Total Pips Net over 100 trades:	1440		Risk %	1,0%	
Risk to Reward Ratio	300,00%	4	Starting Equity	$10.000				losses
Theoretical Target Number Wins per 100 Trades	40	5	Ending Equity Adaptive Positioning	$15.849		Ending Equity Fixed Positioning	$14.800	63
Actual Number Wins Shown per 100 Trades	12	5	Equity Change Adaptive Positioning	58,49%		Equity Change Fixed Positioning	48,00%	

PIPS: Stop Loss	30		to recalculate: enter any number into a grey cell to the left					
PIPS: Take Profit	90	5	Total Pips Net over 100 trades:	3360		Risk %	1,0%	
Risk to Reward Ratio	300,00%	4	Starting Equity	$10.000				losses
Theoretical Target Number Wins per 100 Trades	50	4	Ending Equity Adaptive Positioning	$29.869		Ending Equity Fixed Positioning	$21.200	47
Actual Number Wins Shown per 100 Trades	12	5	Equity Change Adaptive Positioning	198,69%		Equity Change Fixed Positioning	112,00%	

PIPS: Stop Loss	30		to recalculate: enter any number into a grey cell to the left					
PIPS: Take Profit	90	5	Total Pips Net over 100 trades:	4560		Risk %	1,0%	
Risk to Reward Ratio	300,00%	4	Starting Equity	$10.000				losses
Theoretical Target Number Wins per 100 Trades	60	5	Ending Equity Adaptive Positioning	$44.386		Ending Equity Fixed Positioning	$25.200	37
Actual Number Wins Shown per 100 Trades	12	5	Equity Change Adaptive Positioning	343,86%		Equity Change Fixed Positioning	152,00%	

PIPS: Stop Loss	30		to recalculate: enter any number into a grey cell to the left						
PIPS: Take Profit	90	5	Total Pips Net over 100 trades:	2040		Risk %	1,0%		
Risk to Reward Ratio	300,00%	4	Starting Equity	$10.000					losses
Theoretical Target Number Wins per 100 Trades	50	5	Ending Equity Adaptive Positioning	$19.320		Ending Equity Fixed Positioning	$16.800		58
Actual Number Wins Shown per 100 Trades	12	5	Equity Change Adaptive Positioning	93,20%		Equity Change Fixed Positioning	68,00%		

What is the lesson to learn here?

While the trade history above certainly proves the true power of risk reward, we have to ask ourselves how much better we could do by applying a true edge in the market, like the edge of using supply and demand rules or any other strategy you are proficient at. When combined with experience and education, any strategy can certainly provide you with trade setups that give you a better than 50% probability in the market, assuming you apply discretion, patiently wait for the best setups and do not over-trade. So, if we assume we can attain at least a 50% win rate by using simple supply and demand strategies, and we use a risk reward of at least 1 to 3 on every trade, over a series of 100 trades where we risk 1% of our equity per trade, we would be making a nice profit.

We know that supply and demand works (at least I know that, which is what counts for me), there are many strategies that work, rest assured. There is no doubt about that at all; you randomly enter the market and if you make at least 2 times your risk on your winning trades, you will likely breakeven or turn a small profit over a series of trades. When we combine this knowledge of the power of any given strategy with a high-probability edge, what we have is a professional money management and trading strategy, which when combined with proper discretion will make money over a series of a defined trade's sample.

Professional traders know that their winners have to be higher than their losers to make money.

If you have no edge in the market that can get you to the point of winning at least around 50% of your trades, you are probably going to only breakeven over any series of trades, assuming you still implement a risk reward of at least 2 to 1, more if 3 to 1.

Most traders do not implement risk reward properly; they take profits of less than 2 times risk which inherently forces them to have a very high overall winning percentage to make money. By taking a profit of less than 3 times risk, you are basically PURPOSELY putting the odds against you, because you then will have to win over 50% of your trades to make money, and most trading strategies do not give you an edge that will allow you to consistently win over 50% of your trades. The key is to not get discouraged if you have a few losers or become over-confident if you hit a few winners.

What if you lose on the first 8 trades out of 20? Look at the results of the experiment above; did you notice that we lost many trades in a row before hitting a series of winners? This is called trading, and sometimes you will hit a string of losers or a string of winners, but you can't let this influence your trading plan, you have to have a longer-term outlook and remind yourself that your edge, combined with risk reward, needs time to play out.

Why is it that you are not making money?

There are many factors that will influence your trading decisions. When emotions take control, they will prevent you from executing your plan and money management strategy. Have you ever tried the same exit money management exit strategy for at least 3 months?

For example, execute this basic exit strategy for 3 months

- Risk only 1% on each trade setup that you take
- Set a fix Take Profit of 3:1, that is, 3 times your risk
- Risk Reward is different to profit margin, RR validates the imbalance, profit margin validates the exit/TP
- Make sure there is a least 4:1 profit margin to opposing SD zone
- Set and forget your trade and don't touch it
- Do not move your SL to breakeven
- The trade will be either a loss or a winner

What do you think is going to happen after 1 or 3 months if your success ratio is 40%?

You will be on the winning side. What if you have 50% or more, you will be making a nice monthly profit.

Why is it that you are not implementing this exit strategy till now?

- You are not aware of how powerful logic and mathematics can be
- You wanted to achieve 5:1 and more
- You expect your trades to be runners always, that is not the case always, in fact it happens a small % of times, 3:1 is MUCH more common
- You had a series of losses and you stay away from the markets, then all those trades you didn't take are the ones that would have made you 3:1
- You had a series of losses and you want to let your trades run to become runners and recover the losses but you don't realize that those runners that did not run as you expected DID achieve 3:1

Spend quite some time with Forex Tester 2 and try to calculate your winning % ratio. After some weeks of forward testing, you will be feeling more confident with the rules.

Imagine you get 3 trades a month per each of the 15 currency pairs that you trade

That is a total of 45 swing trades a month risking 1%. The percentages below will vary depending on the number of consecutive losses (check out the spreadsheet)

- **With a 40% win/loss ratio:**
  - 18 winning trades at 3:1 exit will give you approx. 54%
  - 27 losses equals approx. 27%
  - The resulting equity growth will be around 20-25% a month
  - Isn't that enough for you?
- **With a 50% win/loss ratio:**
  - 23 winning trades at 3:1 exit will give you approx. 69%
  - 23 losses equals approx. 23%
  - The resulting equity growth will be around 40-45% a month
  - Isn't that enough for you?

This is only with a 40-50% winning ratio. Why do we want more and more? Ask yourself

IDEA:

- You could set up 3 different accounts
- The first one would exit always at 3:1, no breakeven, with an adaptive position size
- On the second one you would let profit runs trailing the SL technically above/below new SD zones and exit at opposing fresh/original zone
- The first 3:1 account would be the "the paycheck"... the second one would be the one to grow your equity
- I will be doing this very soon once my object broadcaster tool is ready, this will allow me to have several accounts with different Take Profits. One account for paycheck and another one for letting profits run and account growth

***Patience is key**. Wait for the best setups, be aware of these numbers, it's pure mathematics... Wait and wait... Results will speak by themselves if you do what you have to do*

The 3:1 Trading Plan Challenge

THE 3:1 RISK REWARD TRADING PLAN CHALLENGE

All change and challenges are hard at first, messy in the middle but it's SO BEAUTIFUL AT THE END

CUT YOUR EXCUSES IN HALF
AND DOUBLE YOUR ACTION

In order to succeed in the trading business you need a sound methodology, common sense, discipline and a rock solid understanding that if you do not treat this as a business you have a ZERO CHANCE of long term success. I believe the statistics say that 95 percent or more of new businesses fail even when the owner knows what they are doing. Do you really think trading Forex is going to be an exception and work for you after 3 months practice or less?

Remember this: small trading accounts will probably not keep me focused to be super picky about your entries and you will almost surely find the same thing. Small accounts normally equals to over trading and YOU SIMPLY MUST LEARN TO BE PICKY ABOUT YOUR ENTRIES. Is there any solution? Force yourself to be ultra-picky (virtually impossible) or follow the plan below while you are doing it.

Before I lay out a basic trading plan, I want those of you that are new or struggling to read the following sentence and think about it:

Words won't be able to describe where your trading will be after 6 months compared to where it is now if you follow this plan.

MINIMUM REQUIREMENTS

If you are new to supply and demand trading or any other trading methodology, and/or you have had difficulty finding some consistent success, you must understand something. Trading is not a game, trading is not gambling and it's not a way to get rich quick. If you approach this business without a business plan and the willingness to follow it, you are almost certainly doomed to failure. A doctor or a lawyer spends ten or more years in a very steep learning curve to be successful and earn a six-figure income; anyone who thinks that their success in this business is a couple of months down the road is going to have a rough time.

Below is a minimum requirement (in my opinion) to find out without losing your money if this business is for you. By following these recommendations, you will be treating trading like a business and you will be learning and gaining confidence in the rules laid out at Set and Forget classroom. I think this is so important:

If you start out in this business using no common sense, you have no one to blame other than yourself when you lose all your money.

There is no reason to ever lose a dime of your money while learning to trade. A well thought-out business plan, common sense and hard work is required for anyone who wants a chance to have success at trading. Many people meet those requirements and still fail, but it does not mean you have to watch your bank account go to zero.

Whatever you decide you must complete these steps at a minimum:

- **Forward test the methodology for at least 3 months under Forex Tester** You first need to do your homework and learn about the methodology,.A couple of fully concentrated hours a day, 3-5 days a week should be enough. DO NOT STOP forward testing just because you are seeing that you are having success after a few days or a couple of weeks, that's a big mistake. If after this process you are being profitable each and every month, proceed to Step 2
- **Demo trade for 3 consecutive profitable months in a row making at least 5% a month**. Entries on H4 and D1 timeframes, you only. Do not stop using Forex Tester while you are doing this. You do not proceed to step 3 until completed.
- **Open a live account with half of the investment you intended to go full** with and continue to only trade H4 and D1 timeframes until you are profitable 3 months in a row minimum. You will never risk more than 1% of your account on any one

trade. Do not stop using Forex Tester while you are doing this. You do not proceed to step 4 until step two is completed.

- **Fund a full account** and continue to only trade H4 and D1 timeframes until you are consistently building your account with a minimum 5% growth for at least 6 months. You will never risk more than 1% of your account on any one trade.
- If you are going to follow Set and Forget's SD methodology (I believe this should be the reason why you subscribed) or any trading style, and you don't follow this template as far as the demo process, you are not treating it as a business and you have no one to blame other than yourself if you lose your money
- **If you ever suffer the loss of 20 percent of your account, you STOP trading. PERIOD**. You should go back to demo and analyze all of your trades to figure out what went wrong. While doing this, you refund your account back to its original amount. You won't go back to live trading again until your demo has shown you what went wrong and your account is back to full strength by whatever means. If it takes 1 month or 6 months, it does not matter. You must follow this approach if you don't want a blown account after blown account.

Your goal should be this. Learn, learn and learn some more and don't do anything stupid while you are in the process. The ultimate goal of any trader is to build an account to a size where just a few good trades a month produces a staggering income. Hardly anyone ever gets there because they don't treat it as a business. We do stupid things that they would never do in any other area of their life and it's because of the money that can be made. If it takes you a couple of years or even five or ten to reach the level of a staggering income, is it worth it? The choice is yours.

I am sure you can think of a million excuses for not doing this (job, kids, computer too slow, too tired, etc) but you should lay those aside and commit yourself to the work. "A journey of a thousand miles begins with a single step".

A SIMPLE TRADING PLAN

You need a plan, here is the one you must follow. Make it yours, embrace it and treat it with care because it's as fragile as a glass of very thin glass. Follow these rules one by one and do not break them while you follow all the stages described under minimum requirements. This plan has nothing to do with your personal goals as a person, it's just about the rules.

Believe that you can make it. 3:1 is a very reasonable target and relatively easy to obtain when trading with a clear trend on good levels. But have you ever experienced several consecutive months profitable executing a very simple trading plan?

Before executing this plan you need to complete Forex Tester forward testing Stage 1 described above.

- **Risk per trade**: **1%** of your account balance
- **Number of open trades at the same time**: 4. That is a 4% risk
- **Maximum loss per day**: **4%**. Stop trading after 4 consecutive losses. Analyze your trades and learn what you did wrong, if you are not sure, PLEASE ask in the forum
- **Maximum drawdown**: 20%. If you ever suffer the loss of 20 percent of your account, you stop trading. PERIOD. You should go back to demo and analyze all of your trades to figure out what went wrong. While doing this, you refund your account back to its original
- **Monthly goal**: **10%.** Once you reach your goal 10% goal, STOP trading. You reached it the 5th day of the month? Congratulations, you have 25 days off this month! Enjoy your free time. When I say STOP, I mean STOP. Do something else, practice on Forex Tester, practice your favorite hobby or find new ones, stay away from your computer screen and trading platform
- **Log all your trades**. Make a log and safe a screenshot of both your entry and your exit on your entry timeframe and curve timeframe, that is 4 screenshots
- **Stop trading on Friday right before the US Market Opens**. Don't add new H4 trades on a Friday afternoon, don't take the risk of a Sunday open gap. This does not apply to Forex Tester trading
- **Analyze all the trades taken during the week at the end of Friday**. Turn off your trading platform and analyze your winners/losses, learn from them. Do it before Friday ends or when you some spare time during the weekend (better on Friday so that you completely disconnect from trading during the weekend)

Is a 10% monthly account growth enough?

Yes, it's. You don't have enough money to become a full time trader and earn your living with it? You are wrong. Others have the money, investors will kill to find a trader that makes 10% a month. Focus on that. Money will come to you once you have a proven 10% account for at least 6 consecutive months, believe me.

SEPARATE DEMO/LIVE ACCOUNTS FOR H4 AND D1 ENTRIES

***You'll need separate demo/live accounts to test the H4 and D1 entries**. We can't and shouldn't mix. This is exactly what I've been doing for months on my live H4 and D1 accounts, we need to separate them in order to get the right picture and analysis on each account. You may decide to make the tests and challenge only on H4 or only on D1, or both, you decide, but they should be separate*

THE ENTRIES

- **Type of trading**: swing, medium term
- **Entry timeframes**: H4 and D1, only these. Use the wiggle room and padding settings as described in the lessons
- **Type of levels**: FRESH levels only
- **Type of trading**: trend trading. Never counter-trend unless you have D1 direction and lots of room to opposing higher timeframe SD zone. Needless to say that we need to buy as low in the curve as we can and sell high, Stay away from consolidation
- **Curve timeframe**: D1, WK and MN together with the realignment concept and the sequence.

- **Minimum requirements for a trade:**
  - **Super clear D1 direction**, a D1 trendline should be possible. Learn by heart the flow charts, they will help you a lot
  - **Minimum Risk/Reward imbalance of a level**: 2:1. We need at least 1 full OHCL candle consolidating away from the level
  - **Target**: 3:1. That is, 3% benefit on every single trade. You need at least 4:1 profit margin to the opposing SD zone or SR to validate a trade
  - If you spend more than 10 seconds analyzing the entry timeframe before you plan your trade, skip that pair, it's not a trade for you
  - **Breakeven**: None. There is no breakeven, either you win or you lose 1% of your account on any given trade
  - **News**: stay away from high impact news as describe. Plan the news ahead of time on Monday, and be aware of the days when they will be released
  - **Time in front of the charts**: 2 hours a day maximum. Choose a market, London or New York, maybe at night after you arrive home from your work, but choose a time. Make your analysis always at the same time, place your trades and spend a maximum of 2 hours a day in from of your trading platform. If you are done with the 15 pairs analysis and placed your trades in only 30 minutes, close your trading platform. Do not open your charts till next day at the same time, no matter what happens, DO NOT open your charts, you don't know how important this is, it's paramount.

LIST OF INSTRUMENTS TO TRADE

There are dozens of instruments you can trade, but you need to focus on a few only. This is an important part of the trading plan, don't try to trade all instruments.

Only trade these 15 instruments during the first 3 stages, you need to prove yourself that you can make it:

1. AUD/USD
2. AUD/CAD
3. CAD/CHF
4. EUR/USD
5. EUR/JPY
6. EUR/AUD
7. EUR/NZD
8. EUR/GBP
9. GBP/USD
10. GBP/CAD
11. GBPY/JPY
12. NZD/USD
13. USD/CAD
14. USD/JPY
15. S&P 500 e-mini (if you have it on your broker)

Why only 15 instruments? It will prevent you from over trading. Don't over think, don't over-analyze. Learn that trading is boring is a very important stage on a trader's career. Trading is boring, you are always doing the same thing over and over day after day. In order to get bored with trading you need a sound trading plan, the one laid out on this lesson is a sound, logical and common sense plan. However, you have to believe it in order to apply it.

THE 3:1 CHALLENGE

Follow this basic and simple trading plan for the months described on each stage at the minimum requirements zone. Keep us informed of your progress (I have created a new zone so you can track your progress, The 3:1 Trading Challenge).

A 3:1 exit is enough to make you profitable and earn a lot of money. But have you ever experienced it? No, never. Why? Because traders don't want a 3:1, they want 10:1 on each trade. Greed is our enemy; our ego gets along very well with greed.

I hope that you see the sense of creating this lesson and a challenge for yourself. It's a very simple set of rules and exits that will remove most emotions from your trading decisions and at the time will allow you to see that a 3:1 target is enough to become a profitable and successful full-time trader.

Let me repeat what I said at the beginning of this post:

Words won't be able to describe where your trading will be after 6 months compared to where it is now if you follow this plan

MY COMMITMENT

I just wanted to let you know about an important thing that may be of interest to most of you, hopefully. It's hard work for me, but I am here to help you understand how supply and demand works and on your trading. Money is secondary, a few euros is nothing, helping others is a LOT, it's MUCH more gratifying than anything else.

I want to make a commitment to those that complete the 3:1 Risk Reward Challenge:

- I will personally review all of your trades on a 1 to 1 webinar session every time you complete a 3 months stage as explained in the 3:1 Risk Reward Challenge. Of course, no cost, I want to here, I am here to help... but you need to do your work. It will take you some months, the trading career is a marathon not a sprint
- This process will take you around 6-9 months, that's NOTHING unless you prefer to stay in a unbreakable loop mode for years. Be patient since there is no other way of doing it. This is the fast mode

CONDITIONS:

- **You have to create your own journal** and track progress under the 3:1 Challenge channel. Mr. Robin Flow was the first one to start such a challenge. It would be great that you follow the same template that he's created on his own journal
- **You have to follow all the stages**, one by one as described on the challenge, Forex Tester, Demo mode and Live mode. Doing it is key. Maybe you will think it's a waste of time, that's up to you. How many times have you started to make things in your life and you didn't finish them and looked back and said, what if I had not stopped doing what I had to do? Don't let that happen in your trading
- **You have to log all of your trades**, otherwise we won't be able to revise them later, it will be impossible. Logging your trades will help you a lot on your trading

- Recording videos of your trades (optional). This will help you A LOT, and I mean a LOT. Even if you don't share them as unlisted like I've done, it will help you so much
- **You'll need separate demo/live accounts to test the H4 and D1 entries**. We can't and shouldn't mix. This is exactly what I've been doing for months on my live H4 and D1 accounts, we need to separate them in order to get the right picture and analysis on each account. You may decide to make the tests and challenge only on H4 or only on D1, or both, you decide, but they should be separate

It will help you a LOT as well as others. Helping yourself is great, helping others is more gratifying. Your learning curve will get better, that's for sure, as well as the confidence in the rules. This works not only on supply and demand trading, but on ANY strategy that you may have tried before. Why do most traders fail? Because they are not patient enough, they don't have strict rules and they switch from one strategy to another hoping that the next one will be the Holy Grail one, but that never happens. ALL strategies work if you have a sound set of rules, correct money management and you take most of your emotions away.

I commit to reviewing all of your trades in the challenge personally. That is translated in quite a few hours of work to help, but I love the idea and I love helping.

But you know the funny thing about it? The funny thing is that most of MOST will not accept the challenge, because you will not believe in it, you will not consider it necessary, and a few more reasons. I have something to say about that, let's about this in 6-12 months' time and see where you are if you didn't do things as you had to do, and compare your situation with those that DID do the things they knew they had to do. You can't learn medicine and expect to make a heart operation after 1 year or 2 studying medicine, you will kill all of the patients. But we think we can be great price surgeons... ego... you know what I mean. It's human nature, we need to fight against that, most can but they don't want to.

Remember this VERY important thing:
95% of traders fail because they don't do what they know they have to do. A person with a good discipline but a poor trading method will outperform a person with a poor self-discipline but the best trading method currently available
You have a good method to follow, that's not the problem. But do you have the discipline? Let's find out.

That's my commitment, it's now up to you. I can't force you to do this. I know what the result will be if you make it and which one if you don't make it... but up to you! It's funny to see that we always find the time to take wrong trades but we don't want to find the time to work on improving and gaining confidence in our entries. We want to believe that we can't make it with so much practice, but that's our ego trying to play tricks with you. Listen to your thoughts!

Supply and Demand in a nutshell, the Core Strategy rules in a flow chart

This lesson covers the ESSENCE of Set and Forget supply and demand rules

The rules explained on this flow chart say it all, it's that simple, it's that complex. Simplicity is beautiful, but achieving a managing to control that simplicity with our emotions is VERY complex. Human emotions cannot be contained and wrapped up in a flow chart. The rules work, but it's our minds, our ego, our fears and our greed that take over most of the time. Mind A versus Mind B. Mind A does a great analysis but Mind B takes the decision.

Unfortunately, most of the times Mind B knows nothing about analysis and funny enough it's the one (our emotional side) that eventually pulls the trigger. Find a zip attached with the high quality flow chart created by our friend and member Robin (robinb, alias Robin Flow). He's done all this great job after some nice interaction with me, we must all thank him for the flow chart.

These are the rules, simplified in a flow chart by our friend Robin Flow.

- MN is in an uptrend with clear uptrend. MN demand is already playing out, so no possibility of entering on the "full" MN demand level yet
- D1 is in an uptrend. D1 demand levels are already playing out, so we can't enter on D1 demand levels, not yet
- **IF D1 demand is already playing out**... if that is the case
    - Check H4 chart
    - Is there a H4 ascending TL? Yes? Then take all valid H4 levels
    - Ascending H4 TL is broken? Yes, then wait for price to:
        - Reach full D1 level of demand or a H4 within it
        - Or a brand new ascending H4 TL making higher highs to go long higher than that D1 demand
- **IF a good fresh D1 supply is hit**, then we need to wait for price to either:
    - Reach D1 level of demand or a H4 within it to keep on buying
    - D1 supply to be removed before we resume H4 buying
- **Respect opposing Fresh and Original D1 supply and demand levels**

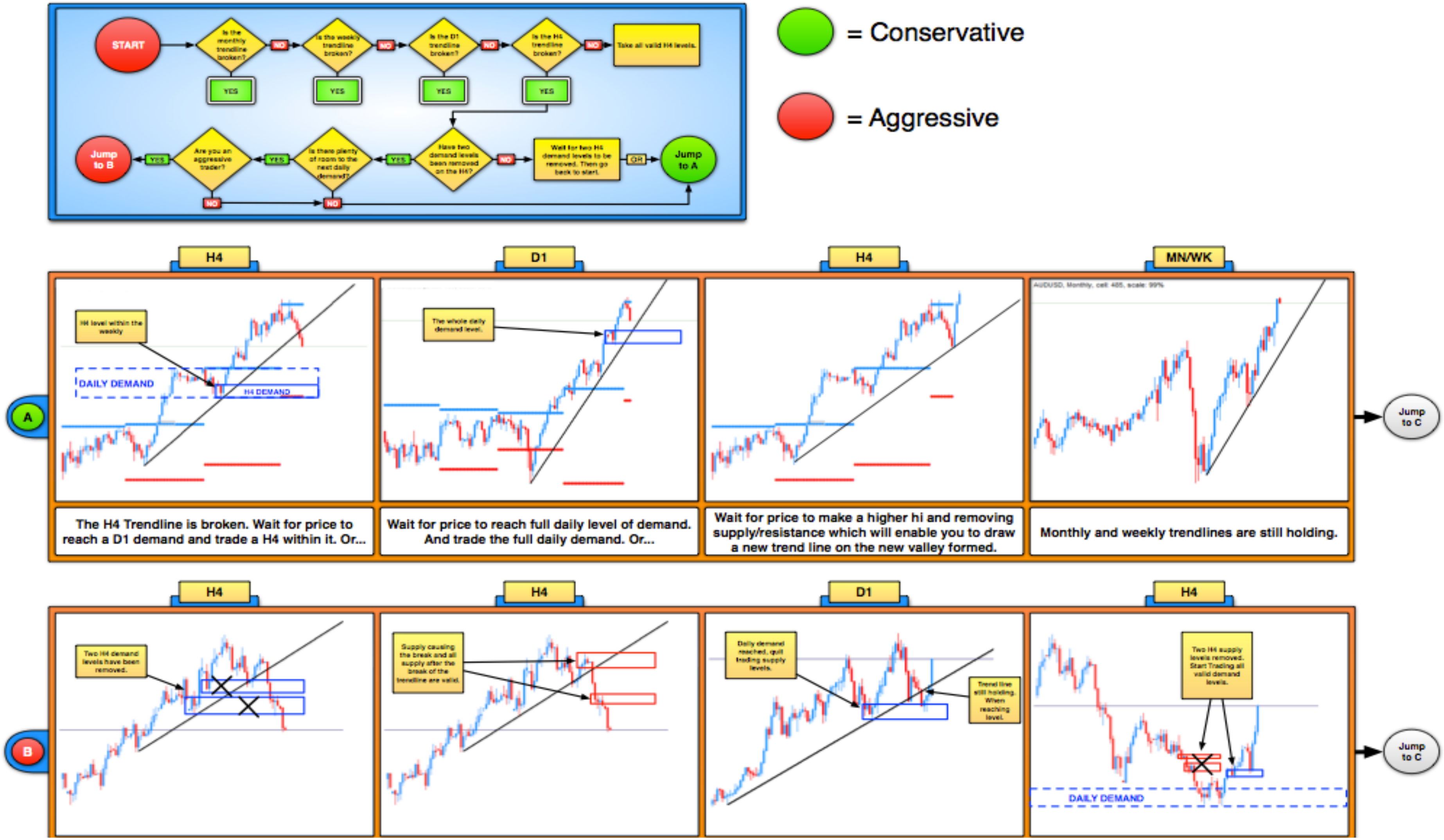
A shorter and simpler sentence that describes Set and Forget Rules would be this one:

All in all… While both the MN and the D1 TLs are up, buy all valid H4 levels of demand with the ascending H4 TL… Once the H4 TL is broken, we need to either wait for D1 demand OR D1 supply to be broken if hit.



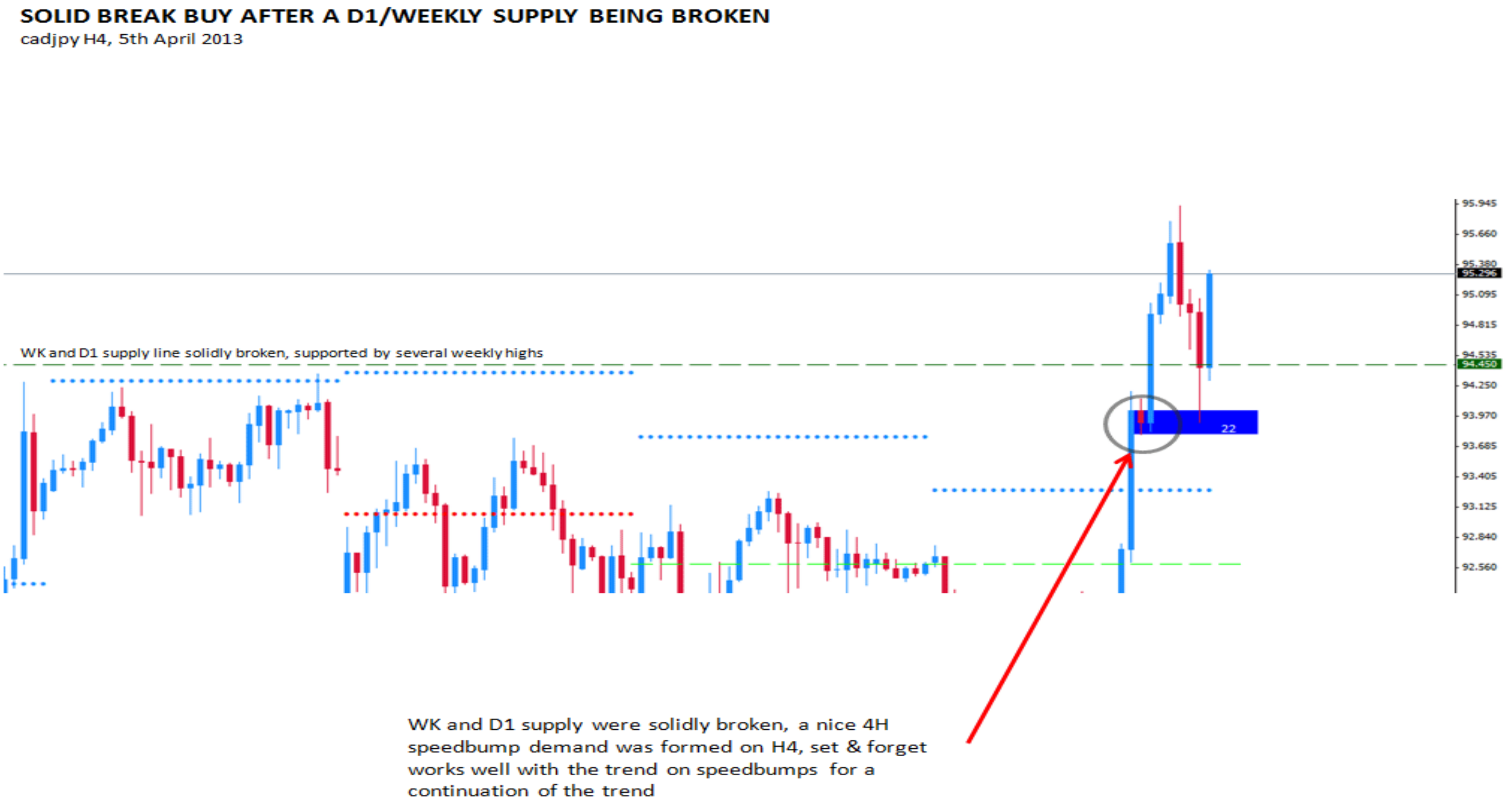
Core Strategy: Trend Trading

Press the "Yes" button that corresponds with your scenario. Remember that this flowchart is only for uptrend scenarios.



How to trade solid breaks of higher timeframe's supply and demand areas

SOLID BREAK BUY AFTER A D1/WEEKLY SUPPLY BEING BROKEN *cadjpy H4, 5th April 2013* WK and D1 supply were solidly broken, a nice CP demand (continuation pattern) was formed on H4, set & forget works well with the trend on CPs for a continuation of the trend.



How to trade all-time lows and highs, trend and counter-trend trades

We're all aware that in many situations price will keep on rallying and rallying over time breaking higher and printing all-time history highs with no possibility of going short counter-trend, the same applies to big drops in price making all-time history lows.

The two questions we should ask ourselves in the first place are:

- Do I want to trade against the trend? Am I a counter-trend trader?
- Should I wait for a trend trade opportunity?

If you are a trend-trader (I am), maybe you should skip this lesson completely. However, you should be aware that there are times when counter-trend is possible and the odds may be on your side.

TREND TRADING ALL-TIME LOWS / HIGHS

This scenario is very simple, it won't take much to cover

What can we do or what should we do IF...?

- Price is removing all-time highs consistently
- Price is making higher highs and not retracing
- Demand is being respected and supply is being taken out

There is nothing we can possibly do BUT keep on buying when new highs are being created and there is no supply to be removed, just take long trades. The same applies when price is dropping like a rock and making all-time lows.

COUNTER-TREND TRADING ALL-TIME LOWS / HIGHS

There will be a moment though, where price will make a bigger retracement and create higher timeframe's zones that might allow us to go counter-trend. WoW trades work really well in this counter-trend scenario.

The conditions for this kind of counter-trend trades for a high odds entry area:

- **Higher timeframes are over-extended**, been dropping/rallying for quite a lot and now it's losing steam
- **Wait for at least a WK or MN engulfing pattern** (reversal patterns) to even think of going counter-trend
- We'll see this happening once we start getting bullish and bearish engulfing patterns on WK and MN charts,
- **The D1 Trendline has been solidly broken (WoW trade)** and a brand new D1 demand area has been created, a zone which is correctly formed with a nice base formation

- The high odds D1 level must be a swing at the origin of the whole move up (distal line of the WK/MN engulfing pattern OR a CP pattern near or at the Trendline break
- **Take the first pullback to that newly created D1 SD zone OR wait for a H4 confirmation** type of trade within the D1 SD zone in the shape of a new H4 demand zone
- Remember: the formation (basing and departure) of the D1 demand must be good, or you will take an unnecessary risk, just wait for the best level since you are going counter-trend

This kind of scenario also happens when we are too high in the HTF curve for a counter-trend trade. We would also need all these scenarios if we want to trade a counter-trend.

HOW TO TRADE COUNTER-TREND WHEN PRICE IS OVER-EXTENDED *This is an EURUSD example from year 2001 on how to take a counter-trend based on the rules described post.*

- All-time lows. Weekly consolidating and can't close below the last week lows
- A WK bullish engulfing pattern signals a possible reversal, but we need at least D1 confirmation, that is, brand new D1 level of demand
- The D1 level at the D1 TL break is the one that holds price, it was also a WoW D1 long trade
- Nice Set and Forget H4 to go long at.
- You can also wait wait for a H4 confirmation
- Descending H4 TL was broken as well at the D1 CP
- On this EURUSD scenario we have both situations happening at the same time, a D1 level to set and forget a long trade, but we can also wait for a H4 demand confirmation at that level



Forex Tester 2 (trendlines_eurusd)
File Edit View Insert Orders Testing Tools Window Help
EURUSD, H4
EURUSD, H4, cell: 10, scale: 92%
Descending H4 TL was broken at the D1 CP
Nice Set and Forget H4 to go long, else wait for confirmation, pullback worked great
EURUSD, Daily
EURUSD, Daily, cell: 30, scale: 84%
flip zone
flip zone
The D1 level at the D1 TL break is the one that holds price
EURUSD, Monthly
EURUSD, Monthly, cell: 135, scale: 90%
EURUSD, Weekly
EURUSD, Weekly, cell: 110, scale: 100%
All time lows. Weekly consolidating and can't close below the last week lows
A WK bullish engulfing pattern signals a possible reversal, but we need D1 confirmation
EURUSD, Monthly EURUSD, Daily EURUSD, Weekly EURUSD, H4

The anatomy of a Flip Zone

This lesson is the only lesson that can lead to some subjectivity. You might start seeing flip zones everywhere, if you do, please disregard the flip zones concept and concentrate on the imbalances and trading with the bigger picture trend, ignore the flip zones, it will do yourself a favour.

--

What defines a Flip zone?

A flip zone is where price flips from acting as either support to resistance or viceversa, supply and demand zones tend to be at flip zones, some of them are ignored, others are respected.. We're trading supply and demand and not trading support and resistance, but when price reaches such a zone these flip areas can act as a key area for high probability trades.

Draw a horizontal line anywhere on the chart on any timeframe, you will always find that the line you drew has been retested several times. Don't see what you want to see, be careful or you will see flip zones everywhere. Else, don't use flip zone, don't use them or it will cause you lots of headaches since you will be being very subjective

These zones need to be tested and proven to be key support and resistance areas, we need to see that the areas have been respected 2 or more times or we'll start seeing flip zones everywhere on the charts. Flip zones can be very powerful so we should pay close attention to them, it will prevent us from having unnecessary losses,

Do not confuse a flip zone with a supply/demand zone*, they are completely different. With flip zones we're allowed to cut through candles, that's forbidden when we locate supply and demand zones.*

In order to illustrate the flip zones, I will use NZDUSD Weekly flip zones

How can I identify a Flip Zone?

Many will believe that identifying flip zones can be somewhat subjective. I agree with that to some extent. This is why having rules will help us to be as consistent and methodical to locate them and draw them

1. **A flip zone needs to have 2 or more retests** in order to be considered a flip zone. It needs to prove us that the area has help in the past several times, else it will just be an area of support /resistance
2. **A flip zone is not a fix price like 1.2000, it's a zone within which price is likely to react**

3. **The more times a flip zone is tested, the stronger it will be** in the future on the next retest
4. **The bigger the timeframe we use to locate the flip zones, the higher the odds for the flip zone to hold** and the stronger the reaction price might have from it
5. **Last month/week highs/lows can be seen very often at or very near a flip zone**. The more of these support/resistance zones (drawn on a Metatrader 4 chart by the Support and Resistance indicator) the higher the odds for the zone to hold
6. **Bullish and bearish engulfing patterns are commonly found at flip zones**. A good percentage of the supply and demand imbalances are composed of these patterns, so a flip zone will normally be located at the open/close of these patterns at its multiple retests

What happens normally when price hits a flip zones?

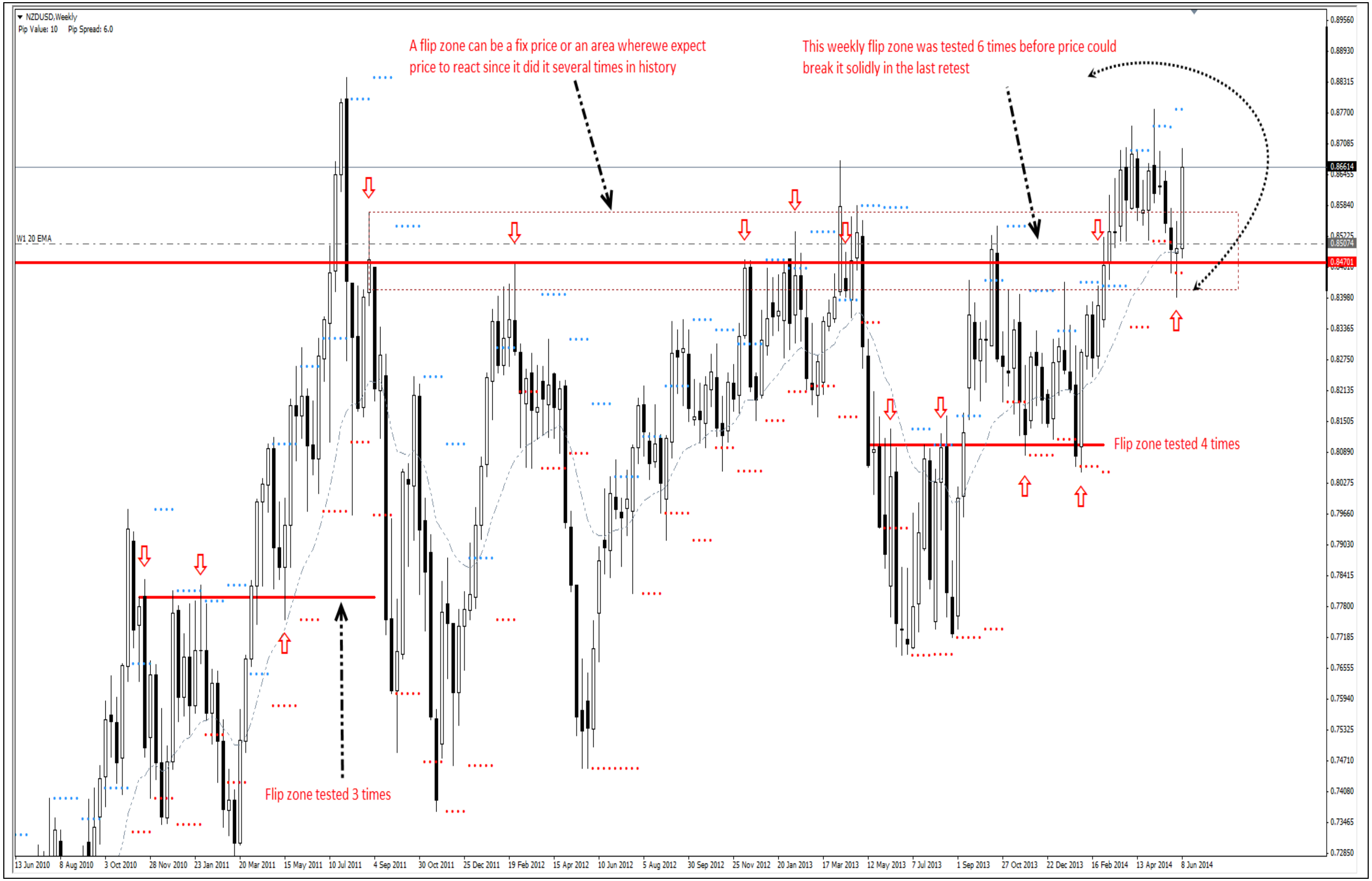
- **Pin candles (hammers, shooting stars and high wave candles) are seen very often as a reaction to a flip zone**, a pin candle is a candle with a very long shadow (tail or wick) 2 or more times bigger than the candle body. A pin candle on the Daily or Weekly timeframe at a flip zone is a high probability trade setup, there are specific rules for entries at flip zones (WoW trades on lower timeframes)
- **Fake-outs are also common**, which is related to previous point on pin candles. The pin candle's wick/tail will probably pierce the flip zone but the candle on that timeframe will not close beyond the flip zone. This is very common when the flip zone is sitting right several last month/week highs/lows
- **Bullish and bearish engulfing patterns are common**. If these patterns happen on the Daily timeframe, there will probably brand new H4 supply and demand zones within, the same applies to the pin candles, that is, we'll be able to find lower timeframe SD zones in lower timeframes
- **A bigger timeframe 20 EMA will probably be at or very near a flip zone**

    - The 20 EMA is widely used by traders, it can be defined as the monthly average because the month is got normally 20ish more tradable days
    - The bigger the timeframe the flip zone has been located, the bigger the timeframe we'll use to find a confluence with the 20 EMA. That is, if we located a D1 flip zone, a Weekly/Monthly 20 EMA will increase the probability of the flip zone.
    - A H4 flip zone would be fine with a D1 20 EMA. Important: the 20 EMA has to go in the direction of the timeframe where the flip zone has been located
    - Many times the 20 EMA will be overshot by a pin candle and reach a last month/week high/low, fake-out the break and go in the opposite direction. It's never exact, this is why we locate supply and demand imbalances at these zones or brand-new zones created by using WoW trades (trendline breaks)

- **Nested flip zones are very common**, that is, it's very likely to see Daily flip zones within Weekly ones. The lower timeframe's flip zones will help us locate a lower risk entry based on supply and demand imbalances

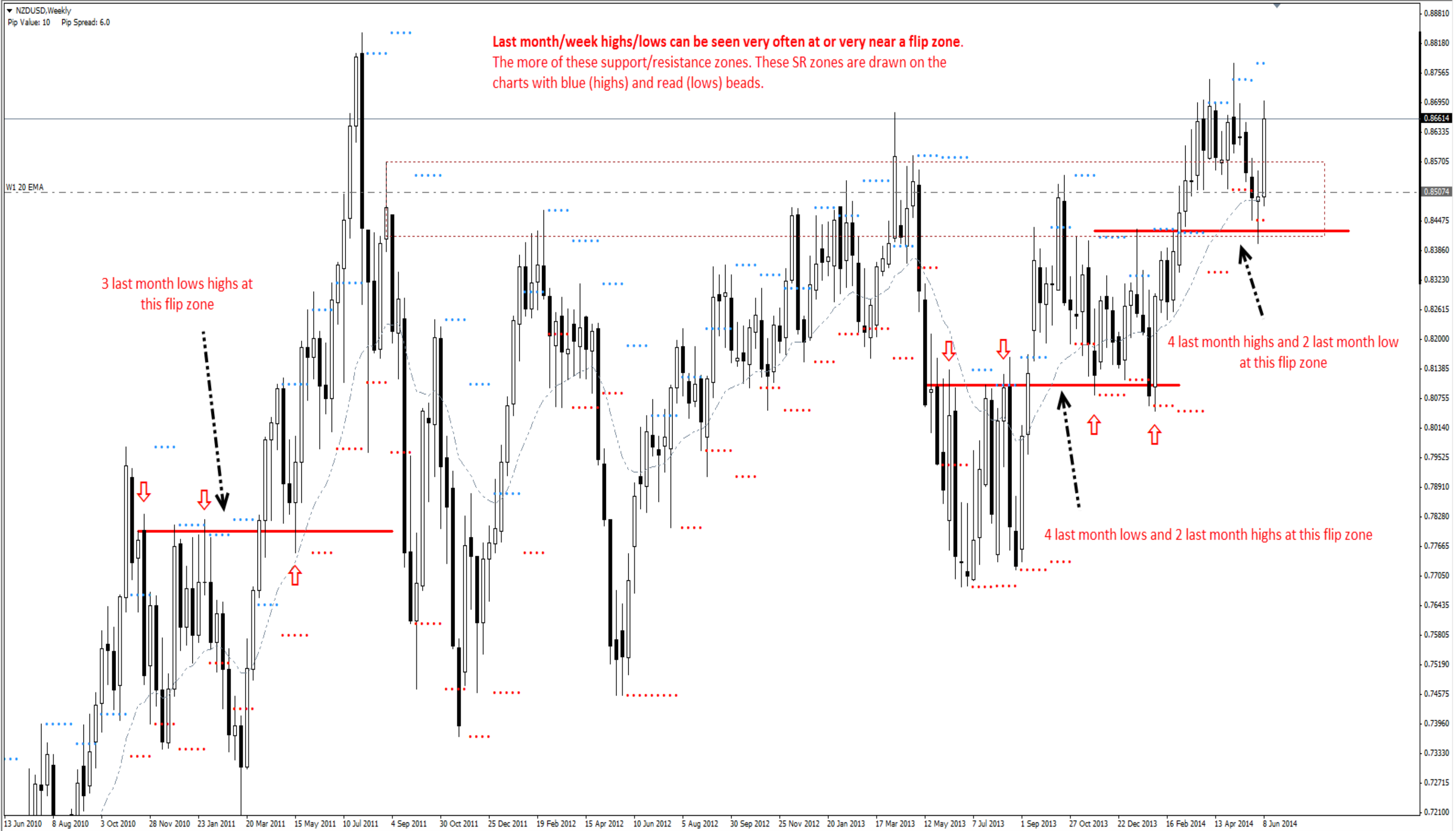
How to trade flip zones

- **Brand new supply and demand zones are created**
  - The creation of these new zones will happen first in timeframes lower than the one where the flip zone has been located, then the bigger timeframes will follow suit
  - The bigger the timeframe we located the flip zone at, the bigger the lower timeframe we need to be looking at for brand new supply and demand imbalances. That is, if we hit a Weekly flip zone, it's advisable that we wait for a brand new Daily demand zone, same applies to a Monthly flip zone. New H4 zones work well as well combined with H4 WoW trendline breaks
- **Price loses steam and several CP patterns are created over-extending price.** This is very common, we must be careful with over-extension on the Daily timeframe when we hit a Weekly or Monthly flip zone
- **Lower timeframes WoW trendline breaks start to happen**. It's very common to see a trendline break when a flip zone has been hit, we will see H4 and Daily WoW trendline breaks often at Weekly flip zones
- **Setting and forgetting if the bigger timeframes are trending and we have a good Daily supply/demand zone right at the flip zone**, else we can wait for brand new levels to be formed accompanied by lower timeframes WoW trendline break trades. In the beginning or as a rule, it's advisable to wait for price action brand new supply and demand confirmation


NZDUSD,Weekly
Pip Value: 10 Pip Spread: 6.0
A flip zone can be a fix price or an area wherewe expect
price to react since it did it several times in history
This weekly flip zone was tested 6 times before price could
break it solidly in the last retest
W1 20 EMA
Flip zone tested 4 times
Flip zone tested 3 times

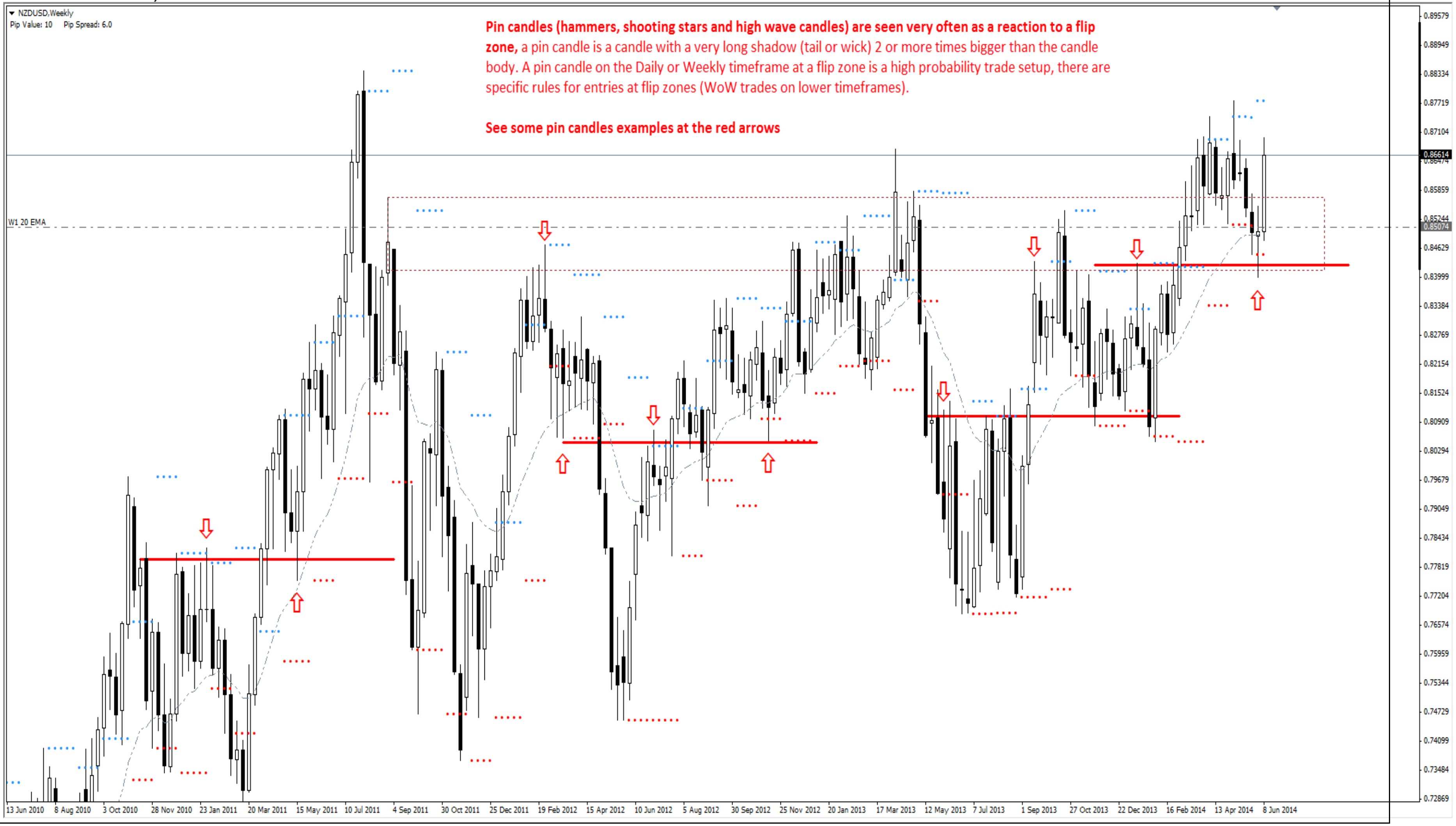
Last month/week highs/lows can be seen very often at or very near a flip zone

The more of these support/resistance zones (drawn on a Metatrader 4 chart by the Support and Resistance indicator) the higher the odds for the zone to hold.



Pin candles (hammers, shooting stars and high wave candles) are seen very often as a reaction to a flip zone

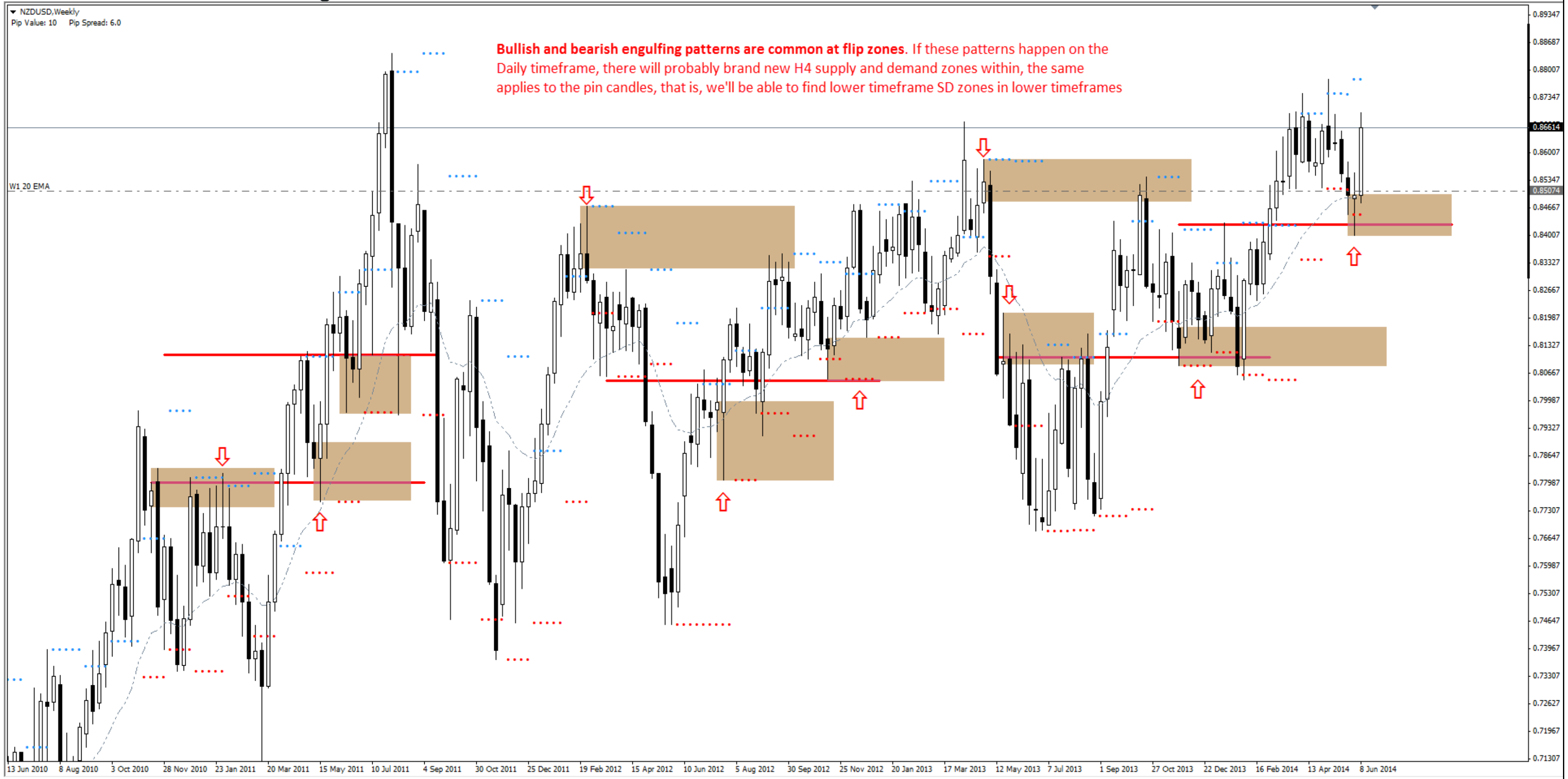
A pin candle is a candle with a very long shadow (tail or wick) 2 or more times bigger than the candle body. A pin candle on the Daily or Weekly timeframe at a flip zone is a high probability trade setup, there are specific rules for entries at flip zones (WoW trades on lower timeframes)



Bullish and bearish engulfing patterns are common

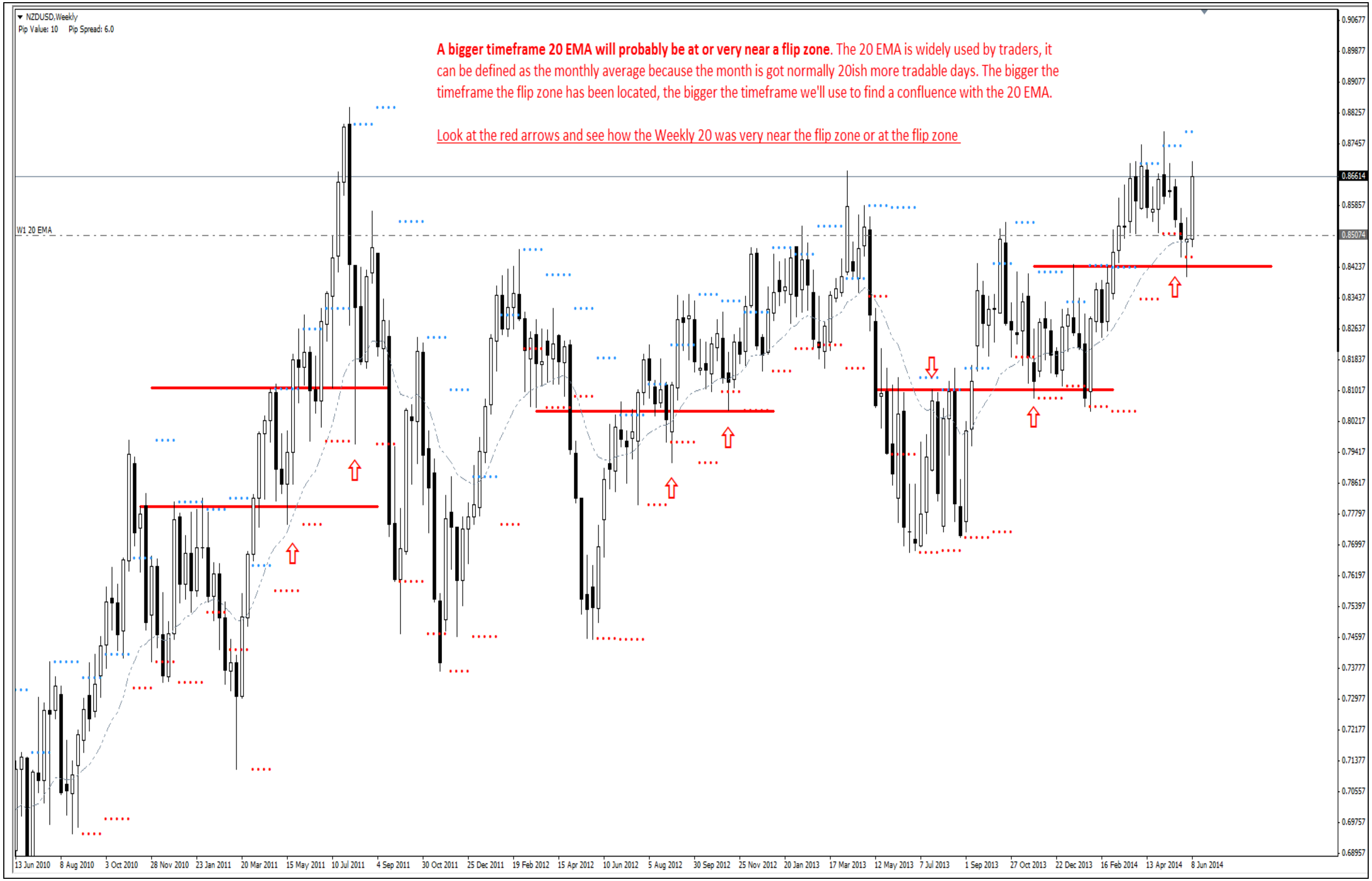
If these patterns happen on the Daily timeframe, there will probably brand new H4 supply and demand zones within, the same applies to the pin candles, that is, we'll be able to find lower timeframe SD zones in lower timeframes.

Fakeouts are also common, which is related to previous point on pin candles. The pin candle's wick/tail will probably pierce the flip zone but the candle on that timeframe will not close beyond the flip zone. This is very common when the flip zone is sitting right several last month/week highs/lows



A bigger timeframe 20 EMA will probably be at or very near a flip zone

- **The 20 EMA is widely used by traders**, it can be defined as the monthly average because the month is got normally 20ish more tradable days
- The bigger the timeframe the flip zone has been located, the bigger the timeframe we'll use to find a confluence with the 20 EMA. That is, if we located a D1 flip zone, a Weekly/Monthly 20 EMA will increase the probability of the flip zone.
- A H4 flip zone would be fine with a D1 20 EMA. Important: the 20 EMA has to go in the direction of the timeframe where the flip zone has been located
- Many times the 20 EMA will be overshot by a pin candle and reach a last month/week high/low, fakeout the break and go in the opposite direction. It's never exact, this is why we locate supply and demand imbalances at these zones or brand new zones created by using WoW trades (trendline breaks)
- *The red arrows show where price hits the Weekly 20 EMA or overshoots it*



NZDUSD,Weekly
Pip Value: 10 Pip Spread: 6.0
A bigger timeframe 20 EMA will probably be at or very near a flip zone. The 20 EMA is widely used by traders, it can be defined as the monthly average because the month is got normally 20ish more tradable days. The bigger the timeframe the flip zone has been located, the bigger the timeframe we'll use to find a confluence with the 20 EMA.
Look at the red arrows and see how the Weekly 20 was very near the flip zone or at the flip zone
W1 20 EMA
0.90677
0.89877
0.89077
0.88257
0.87457
0.86614
0.85857
0.85074
0.84237
0.83437
0.82637
0.81837
0.81017
0.80217
0.79417
0.78617
0.77797
0.76997
0.76197
0.75397
0.74597
0.73777
0.72977
0.72177
0.71377
0.70557
0.69757
0.68957
13 Jun 2010
8 Aug 2010
3 Oct 2010
28 Nov 2010
23 Jan 2011
20 Mar 2011
15 May 2011
10 Jul 2011
4 Sep 2011
30 Oct 2011
25 Dec 2011
19 Feb 2012
15 Apr 2012
10 Jun 2012
5 Aug 2012
30 Sep 2012
25 Nov 2012
20 Jan 2013
17 Mar 2013
12 May 2013
7 Jul 2013
1 Sep 2013
27 Oct 2013
22 Dec 2013
16 Feb 2014
13 Apr 2014
8 Jun 2014

How to trade flip zones

There are certain patterns that repeat themselves when price reaches a bigger timeframe flip zone.

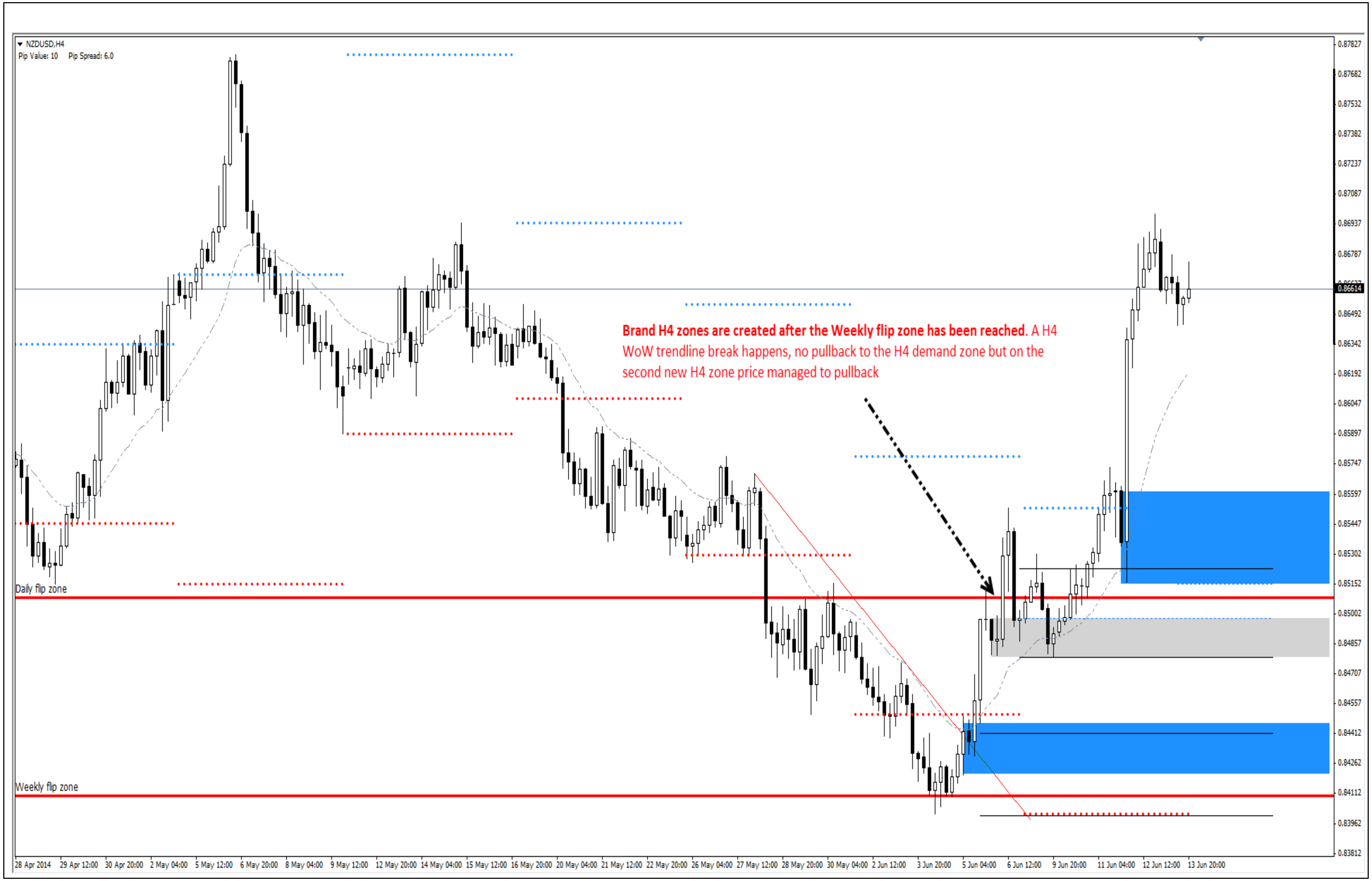
- **Brand new supply and demand zones are created**
  - The creation of these new zones will happen first in timeframes lower than the one where the flip zone has been located, then the bigger timeframes will follow suit
  - The bigger the timeframe we located the flip zone at, the bigger the lower timeframe we need to be looking at for brand new supply and demand imbalances. That is, if we hit a Weekly flip zone, it's advisable that we wait for a brand new Daily demand zone, same applies to a Monthly flip zone. New H4 zones work well as well combined with H4 WoW trendline breaks
- **Price loses steam and several CP patterns are created over-extending price.** This is very common, we must be careful with over-extension on the Daily timeframe when we hit a Weekly or Monthly flip zone
- **Lower timeframes WoW trendline breaks start to happen**. It's very common to see a trendline break when a flip zone has been hit, we will see H4 and Daily WoW trendline breaks often at Weekly flip zones
- **Setting and forgetting if the bigger timeframes are trending and we have a good Daily supply/demand zone right at the flip zone**, else we can wait for brand new levels to be formed accompanied by lower timeframes WoW trendline break trades. In the beginning or as a rule, it's advisable to wait for price action brand new supply and demand confirmation

The example below shows the last valid Weekly flop zone on NZDUSD and how price action as done as defined by the supply and demand rules and trendline breaks.



Last month/week highs/lows can be seen very often at or very near a flip zone.
The more of these support/resistance zones. These SR zones are drawn on the
charts with blue (highs) and read (lows) beads.
3 last month lows highs at
this flip zone
4 last month lows and 2 last month highs at this flip zone
4 last month highs and 2 last month low
at this flip zone
W1 20 EMA
NZDUSD,Weekly
Pip Value: 10 Pip Spread: 6.0


NZDUSD,Daily
Pip Value: 10 Pip Spread: 6.0
Daily chart showing what happens when a Weekly flip zone was reached
The creation of these new zones will happen first in timeframes lower than the one where the flip zone has been located, then the bigger timeframes will follow suit
W1 20 EMA
Daily flip zone
Weekly flip zone
Original weekly flip zone
Brand new D1 demand zones created after the descending D1 trendline was solidly broken, also known as WoW trades
0.88193
0.87933
0.87673
0.87413
0.87153
0.86893
0.86614
0.86378
0.86118
0.85858
0.85598
0.85338
0.85074
0.84818
0.84558
0.84298
0.84038
0.83778
0.83518
0.83258
0.82998
0.82738
0.82478
0.82218
0.81958
0.81703
0.81443
0.81183
23 Aug 2013
4 Sep 2013
16 Sep 2013
26 Sep 2013
8 Oct 2013
18 Oct 2013
30 Oct 2013
11 Nov 2013
21 Nov 2013
3 Dec 2013
13 Dec 2013
26 Dec 2013
8 Jan 2014
20 Jan 2014
30 Jan 2014
11 Feb 2014
21 Feb 2014
5 Mar 2014
17 Mar 2014
27 Mar 2014
8 Apr 2014
18 Apr 2014
30 Apr 2014
12 May 2014
22 May 2014
3 Jun 2014
13 Jun 2014


NZDUSD,H4
Pip Value: 10 Pip Spread: 6.0
Brand H4 zones are created after the Weekly flip zone has been reached. A H4
WoW trendline break happens, no pullback to the H4 demand zone but on the
second new H4 zone price managed to pullback
Daily flip zone
Weekly flip zone
28 Apr 2014
29 Apr 12:00
30 Apr 20:00
2 May 04:00
5 May 12:00
6 May 20:00
8 May 04:00
9 May 12:00
12 May 20:00
14 May 04:00
15 May 12:00
16 May 20:00
20 May 04:00
21 May 12:00
22 May 20:00
26 May 04:00
27 May 12:00
28 May 20:00
30 May 04:00
2 Jun 12:00
3 Jun 20:00
5 Jun 04:00
6 Jun 12:00
9 Jun 20:00
11 Jun 04:00
12 Jun 12:00
13 Jun 20:00

Questions you need to ask yourself in order to plan a trade

First and foremost, ask yourself what kind of trader you are. You MUST choose your timeframe combo and STICK to it.

It's also important that you review the Core Strategy Flow Chart., it's key to understand supply and demand rules laid out.

ASK YOURSELF THESE QUESTIONS BEFORE PLANNING A SWING TRADE (MN/WK/D1/H4 combo):

You must ask the charts the same questions over an over. See each chart as the ancient Greek Oracle that has the answer to everything, you just have to ask and offer a sacrifice, your time . Ask the Monthly Oracle the right questions, then the Weekly Oracle, they will always answer you. The questions are always the same when it comes to spotting and drawing Supply and Demand zones:

1. **Is the Monthly in a Downtrend or in an Uptrend?** The answer will dictate which longer term direction you want to trade for a position type of trade, long or short
2. **What zone is in control? Supply or Demand?**
   - Is price bouncing off high/low in the curve with a supply or demand area in control? Pay attention if price is already bouncing off your curve TF
   - This is key. If price is bouncing off my curve TF, hit the proximal line and it's dropping to 70%, does that mean I can buy because it's lower than 80%? No, your curve TF is in control. It would be a different thing if price was bouncing off WK demand and it's now at 70%, with room to fresh (not in control) WK supply
3. **Is the Weekly in a Downtrend or in an Uptrend?** The answer will dictate which direction you want to trade, long or short for a swing type of trade
4. **What is the trend on the D1 timeframe?** Don't go against the D1 trend, respect the D1 trend for better odds
5. **Which is the last valid Trendline that I can draw?** Ascending (two valid valleys) or Descending (two valid peaks). If you can't draw a TL or you have removed an opposing demand zone when in an uptrend, then no TL is possible and price should be consolidating
6. **Has the SD zone I've drawn removed an opposing SD area or broken a Trendline?** SD price action is a chain reaction, if you miss a link in the chain the whole analysis will be broken, ask the charts those two questions to learn if a potential imbalance becomes a zone.
7. **Is current price high or low in my curve timeframe?** It will tell you if you can keep on buying/selling or stop doing it and start looking for an opposite trade.

8. **Do I have enough room to my opposing curve timeframe SD zone?**
    - *If I am too close to my curve TF, I must not trade against it*
9. **Is price too close or at my curve TF's 50% retracement?** Diddle in the middle. Wait for momentum to either direction and trade with the D1 trend, don't try to outsmart the market, 50% is used by many to exit their positions
10. **Am I close to or reacting to a last week/month high/low (support or resistance area) or a higher timeframe trendline hit?**
    - The template shows red/blue beads on the charts. These beads are support and resistance areas (WK/MN highs/lows)
    - If we are very close to them or reacting from them, stay away, don't trade, wait for a close on D1 candle, or a brand new level created after those highs/lows are out of the way

IF THEN SCENARIO #1: too high in the MN curve

- **Question 1:** Is the Monthly in a Downtrend or an Uptrend? **UP Trend**
- **Question 2:** How high or low is current price in the Monthly timeframe? **I am high in the MN curve, 85%**
- **Question 3:** Do I have enough room to Monthly supply? **Yes, only 15%**
- **Question 4:** Is MN supply or MN demand in control? Where is price bouncing off? **Comes bouncing off MN demand, MN demand in control**
- **Question 5:** Am I close to a last Week/Month high/low or HTF trendline hit? **No**
- **Question 6:** Can I buy or sell? **We're too high in the curve, it would be a bit aggressive, longs could work. If you are aggressive, smaller lot sizes would be advisable**

IF THEN SCENARIO #2: low in the curve, MN demand in control

- **Question 1:** Is the Monthly in a Downtrend or an Uptrend? **UP Trend**
- **Question 2:** How high or low is current price in the Monthly timeframe? **I am low in the MN curve, 25%**
- **Question 3:** Do I have enough room to MN supply? **Yes, 75%**
- **Question 4:** Is MN supply or MN demand in control? Where is price bouncing off? **Price bouncing off MN demand, MN demand in control**
- **Question 5:** Am I close to a last Week/Month high/low or HTF trendline hit? **No**
- **Question 6:** Can I buy or sell? **Buy all H4 levels of demand that follow the TL rules, or full D1 levels while the D1 TL is respected**

IF THEN SCENARIO #3: middle of the curve, diddle in the middle, last month high

- **Question 1:** Is the Monthly TF in a Downtrend or in an Uptrend? **DOWN Trend**
- **Question 2:** How high or low is current price in my Monthly timeframe? **I am in the middle of the Monthly curve, 45%**
- **Question 3:** Do I have enough room to Monthly demand? **Yes, 45%**
- **Question 4:** Is MN supply or MN demand in control? Where is price bouncing off? **MN supply in control, last month high (blue beads)**
- **Question 5:** Am I close to a last Week/Month high/low or HTF trendline hit? **Yes**
- **Question 6:** Can I buy or sell? **Do nothing. Wait. Diddle in the middle**

These are the same questions you should always ask yourself over and over and OVER again. Create a habit! Make a posit and place it where you can see it all the time

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Forward test the rules. PRACTICE IS KEY to success

Testing is to trading what meditation is to your soul

To be a master of your craft, to be legendary, to be the best there ever was in your field, to live a life that inspires everyone around you, you've got to be willing to suffer a LOT
Suffering for your dreams, for your goals, for your craft, for your values.

There is no shortcut to success and become a profitable trader, it's difficult and you will suffer there is no magic potion you can drink that will allow you to understand supply and demand set of rules laid out in the classroom, we don't live in Harry Potter's world, this is real life. **Practice is the mother of all sciences**.

Trading the markets is not a 100 meters hurdles race with hurdles every 10 meters, but a marathon race with hurdles every 100 meters.
You may be wondering: why should I be forward testing the methodology if somebody else has already done it for me? I don't want to do that work, it's already done for me and I want to take advantage of it. **WRONG QUESTION!**
No matter how novice or professional you are, your mind needs to create neurons connections, patterns and habits. **Patterns can only be created through repetition**. Habits will help you remove the fear of pulling the trigger, fear and stress will be removed from the equation.

- **How long will it take me to live test the rules from September to December in the live markets?** 4 months, you don't have a time machine to fast forward time, you need to wait and be patient. The problem is that you will want to trade, you will not be happy by spending a couple of hours a day or more and getting no triggers
- **How many months can be tested in Forex Tester with just 2 hours of practice?** About 4 months
- **4 months versus 2 hours?** Wait wait! How can that be possible? This is the power of testing

We need an edge! *No matter how good our strategy is or how much money we have on our live account, we need an edge and a carefree state of mind in order to have consistent results. Forward testing it will give you that edge, it will give you the belief in the system and will create the habits that will help you become a trader.*

Heavy dedication and forward testing simulation is virtually identical to real trading. The brain simply doesn't know the difference between what is real and what is not, our brains need to be fed with information, it doesn't care where it comes from, it just needs food.

Do what's difficult now so you can enjoy what's world-class later!

Don't give up, **as you go to your edges, your edges expand**

BENEFITS OF TESTING

If you want to have the results only 5% of traders will have, you must be willing to do and think LIKE only 5% do and think

MASTERY AND WORLD-CLASS IS SO MUCH MORE ABOUT PRACTICE, DISCIPLINE, DEVOTION, DEDICATION, GRIT AND RELENTLESSNESS SMALL DAILY IMPROVEMENTS OVER TIME LEAD TO STAGGERING RESULTS

As traders, we need to practice a LOT and train your eye to spot different patterns and scenarios. Did you ever think of learning to to speak a second language by just reading the dictionary and not opening your mouth to talk to other people speaking that language? You won't learn that way! You need to listen to many individuals talking and absorb the different pronunciations and nuances of that new language. Testing is to trading exactly that. Skipping this process will just create a lot of problems and extend the learning curve to years.

Using Forex Tester does not mean that testing is only valid for Forex, on the contrary! Supply and demand works on any instrument, be it Forex, Futures, Indexes, Commodities, Equities and Stocks. It's the force that governs the markets and our lives. It's just that Forex Tester is a great tool (there will be others of course) that makes us easy to test all kind of scenarios on Forex, which can be easily extrapolated to Futures, Commodities, etc.

The law of conservation of energy states that Energy can be neither created nor destroyed, but can change form

There is a law I would call "**The law of conservation of your capital**", it states that ***Money goes from the hands of those who don't know what they are doing (novices) to the hands of those who know what they are doing (professionals)***

- **Gaining new insights and aha moments**. Each time you complete one of your testing sessions you will gain fresh insights, you will say to yourself and say "*Can you believe people trade without having tested their strategy? Crazy!*"
- **Gaining an edge and proving to yourself that the edge works over time** and under any market scenario
- **Speed up your learning process by fast forwarding learning time,** scenarios will be presented to you without having to wait for weeks or months. The testing software
- **Gaining confidence in the set of rules** you are testing
- **Helps to remove emotions and fear when we switch to live trading mode** because we will know we have an edge and the odds with us
- **If the strategy is going to fail us when we live trade it, want to know that NOW, while we're just testing it**. We're looking for weak points as keenly as we're looking for wins.

But like all things, there is a trick to it when it comes to bringing your experiences and lessons gathered in testing to your actual trading. Those that have tested the rules have experienced that by themselves. We have also heard this refrain from the traders we're in touch with: "*I can make money with my strategy when I test, but then I lose money when I try to do it live*."

A testing software like Forex Tester 2 or similar will help you build new neural pathways (ingrain the process) to cement the confidence in the system inside and out. With the proper confidence, when the trade setups appear in live scenarios, pulling the trigger becomes a natural and emotionless thing to do.

HOW TO MAKE THE TRANSITION FROM TESTING TO LIVE TRADING

"On the left, there is a history. On the right, there is a mystery".

1. **Be a scientist, don't cheat**
   - It can be sometimes challenging to use the tester software and plan a trade without wanting to look ahead first to see what has happened. I know this because I did it in the beginning, believe me
   - You can't do this in live trading, so you have to develop the discipline to prevent you from doing exactly that when you test
   - If you let yourself cheat by looking ahead and then going back to place a trade, the only person you're cheating is yourself
   - Look at it as scientists do, do not care about the outcome of any one experiment. They're just looking to see what happens, without bias, without emotion

2. **Testing should be part of your daily/weekly routine**
   - It's funny but when we start testing we think that after a few days it's good to go. When we see that we are getting more or less the entries that we want, we'll rapidly switch to live trading and try to obtain the same results. It doesn't work like that
   - Don't stop testing after a few days or weeks. Testing should be part of your weekly routine. Will you stop eating tomorrow or after tomorrow because you had a feast today? No, you won't, you need food as much as your trading needs testing

3. **Don't get excited when a trade is successful and don't get upset when it fails**. You're just watching and gathering data while you test, so there's no point cheating to balance the results one way or the other

4. **Use a honest position sizing**
   - If you just want to test how rules set work and how all pieces are put together, you don't really need to use the exact position size (lot) for every single trade that you take while testing, that would slow the process down
   - The tendency is to use the same position size for all the trades you take on the tester, because it's easy and fast and because it's too tempting to get lazy about taking the extra time to use a lot size calculator to determine your exact position size every time
   - If you want to test how equity changes with real money management in play don't used 1 standard lot for each trade because that could represent about 5% or more of your account per trade. Your testing account can go into serious drawdown and the results won't be real
   - If your testing is sloppy and is based on mistakes, you're just going to get garbage as your results

5. **Is your strategy really the same?**
   - If you are fuzzy about what your personal trading rules really are, then there will certainly be a big difference between your testing and your live trading. Take time to write out your Trading Plan, and then read it through before each testing session you do and before each live trading session. Use a check list, ask the right questions. Watch for specific areas you might be missing when you test and trade

6. **Start thinking that your live trading is a video game**. It puts you in a state of mind that helps remove emotion from trading. If you can't think of a trade as a video game... if you break out into a sweat with each trade you take... you are simply using too high a risk profile for yourself. If you can take a trade without breaking out into a sweat as you contemplate losing that amount of money on that particular trade, then you're using the correct risk profile for you

7. **"All or nothing" attitude**: If you can't back test at least 1 hour a day and 3 times a week, don't back test.

8. **Re-program yourself, create a life of balance in all areas. Your entire way of being needs to change.** You have to do lot of work on yourself, including creating a life of balance in all areas before you are able to back test consistently, keeping a schedule, back testing at the same time every day. This all may sound easy to accomplish for some, but you'll have to start to re-program your attitude about work, life and about yourself, attitudes that you will have probably had your entire life as long as you can remember. You have to project yourself as a successful consistent trader. If you want that future self you have to grow, and growth requires expansion. It may be uncomfortable for a while and you may slip up but you will be learning that being a trader is far more than just following rules. Your entire way of being needs to change.

9. **Match emotional states**
   - Are you patient when you test because virtual time passes quickly, but then get impatient with how slowly the market unfolds in real time and end up making rash decisions because you can't handle the timing differences? If that's happening for you, the first step is to acknowledge it, then come up with methods to work with the impatience. Some ideas include:
   - Multitask with a different activity - it doesn't even have to be related to trading. The more fun, the better. While you wait for a good trade setup, do a crossword puzzles or sudoku or do some work for a volunteer effort you support. This is valid only if you are doing tick testing and not candle close testing as we normally do
   - **Meditate.** Half hour a day - great for managing emotions
   - Use the Tester to practice your trading while you wait for real trade setups to form
   - Notice I don't include chat rooms, skyping, texting or reading Forex forums in our lists here. Your trading will improve

dramatically when you stop participating in chat rooms and stop listening to anyone's counsel other than your own as you trade. The community is a great place to get advice and new trade setups, but take them only if those setups make sense to you and if they follow your trading plan, don't let others trade for you

10. **You will feel overwhelmed but the amount of rules and work you need to do, you will think of giving up**. Don't go fast looking for levels to trade, in reality you will be skipping many getting frustrated wanting to trade. You will start getting really good results back testing if you keep on working day after day, the thing that will help you loads will be to just slow down (snail pace!). If you have 1 hour or 2 hours set aside for your testing each day it really doesn't matter if you take a trade and make money on your back test account. Analyze candle by candle as and it really does become a lot clearer

11. **Life trading is a different animal.** Your testing sessions may be going great, you can analyze any instrument really well, but live trading is a different animal. You need to tame the beast. The live market is a different monster, you trade not only 1 pair but MANY at the same time, that is a big psychological weight that can't be measured while testing because you can only test 1 single instrument at a time and losses won't affect you while testing

START YOUR TESTING ROUTINE

CUT YOUR EXCUSES IN HALF
AND DOUBLE YOUR ACTION

YOUR EXCUSES ARE NOTHING MORE THAN YOUR FEARS
COMING TO GET YOU

Does the market you are testing really matters? Why should I test Forex pairs if I am not trading Forex but stocks or indexes?

The market you test doesn't really matter. Supply and demand is a "universal" rule that applies to all markets, to Forex, equities, indexes, shares, commodities, bonds, anything. This software will give you the opportunity Forex, but the experience you will gain will be applicable to all markets, so do not underestimate it please.

Haven't you realized that I don't stop testing and fine tuning the entries? It's part of my trading routine, I just have to. I have doubts about a pattern or want to test a specific scenario? Testing is the way to go.

Obtaining a 50% or 60% accuracy with your testing for months is all you need. You can't get that confidence in live trading unless you spend a couple of years or more, you can't fast forward time in real live, but you can with a testing software. By using a software like Forex Tester 2, you can accomplish that task in about 4-6 months instead of 2+ years.

Still not convinced?

Well, it's up to you really! It's your trading career and your life! I can't help you there. You know that this is the way you have to go but something within yourself believes it's a waster of time and you will not probably go through the testing required for you to become a successful trader in this or any other strategy. The only thing I can say is that you will not have the right to complain to others if you don't do your homework, if you don't do what you have to do in order to think and behave like a professional. If you have any doubts about it, you probably thing you are smarter than others and you can make it without the testing. That's what I call a novice mentality.

Is forward testing a waste of time?

No, it's not. In fact it will open your eyes to any strategy that you are looking to learn and gain confidence at. Instead of being in front of your trading platform for hours every day, why don't you spend a few months forward testing the strategy to gain confidence?

Doubts about everything

It will absolutely normal that you feel like doubts about the setups, to have concerns and doubts about everything, you will have unnecessary losses. This is why you are doing the tests in the first place, imagine all that in live scenarios with real money, your money. You have to reach a point where testing and rules are second nature to you, only then switch to live demo account, and then to a live account.

It's a process we all need to go through. Those that think testing is not needed will most likely trying to over smart the markets because they "think" they don't need to go through months of boring testing without earning a single dime. The results are well known to most of us, it's normally disastrous.

Once you have done that for 2 months in a row, come back and tell us about your experience. You will be surprised of the results.

The Psychology of Trading, change your mindset and think like a robot

You can't always win, but don't be afraid of making decisions. He who says he can and he who says he can't are both usually right

There are 3 stages to master anything in life: being, knowing and doing

This post contains many statements that have to be attributed to Mark Douglas, a leader in trading psychology and successful trader.

It's so obvious what the great potential trading has, however there are these invisible barriers that prevents your from getting into that potential.

You will be ridiculed in front of your friends for trying to become a trader, but eventually you will become revered for what you've accomplished*. You will be the one with the courage to be called weird, strange and eccentric. but still they will revere you.*

We need an edge! No matter how good our strategy is or how much money we have on our live accounts, we need an edge and a carefree state of mind in order to have consistent results in our trading

What is an edge? *A higher probability of one thing happening over another over is the randomness of a series of trades.*

Trading is not about being right or wrong, it's about having the odds on your favor and another person (or group pf people) believing the same you believe to make the markets move in the direction of your trade

Trading results are random, you have to learn to think in probabilities

You can't know what the result of any given trade will be, nobody knows.

We need to accept the randomness of trading and accept that once we take a trade, we may have a loss.

- Our trades have to be seen as the risk we're willing to take to learn the result of any given pattern that we trade
- However, even if you learn to think in probabilities, it does not mean you are ready to accept a loss
- If I have to take a loss on the trade, your mind will have a tendency to associate a loss with real life painful situations, your emotions might take control and interfere with the outcome

- When you really understand that and you go through the process of accepting the risk of losing, then everything about your trading
- You have to believe in what you are doing and focus only on the patterns that gives you the highest odds

How can we use the methodology laid out at Set and Forget and get the maximum potential out of it?

You need mental skills to do it.

If consistent results are what you are looking for, then you are going to have to learn to think like a professional trader. That's why they are pros, that's why people give their money to them and that's why they have jobs. They actually trade for a living, because if they didn't make consistent results they would lose their jobs.

If the pattern presents itself, there is absolutely nothing to think about, trade the pattern and the trade associated with it since you don't know what's going to happen next. Thinking is not allowed

There is no way that you can know what the outcome is going to be

You have to learn to think in a way that will not put you into a situation where you feel emotional pain, feel betrayed or disappointed with the markets, because you don't know what the market is going to do next.

You need to get a carefree state of mind, once your perspective changes then everything changes, it's not about being right or wrong.

Paper trading versus live trading

There's a substantial difference between the results you obtain by paper trading (demo) and backtesting, and the results of your live trading. So many people think that paper trading or backtesting is futile and unnecessary.

However I believe they are wrong, what paper trading and backtesting can do for you are showing you a graphical representation of the mental skills that you don't have, those mental skills that you REQUIRE in order to become a consistent profitable trader.

Everything changes in real trading, because there is no correlation with both results, that is, demo versus live trading.

Paper trading shows a graphic demonstration of the gaps in mental skills that you need to acquire, it helps you to familiarize with platform and gain confidence with the methodology*. It shows you what you could be if you had a carefree state of mind, if you had the skills that allowed you to do exactly what you need to do, without reservations, without hesitation and without fear.*

Thinking and Trading like a Robot

Through backtesting not only will you be able to gain confidence in your trading rules and plan, you will also be building the grounds for a change of your mindset. Little by little you will start thinking like a robot, taking the patterns as they happen without any further thinking, because remember "thinking is not allowed". You will be able to grasp what you could become if you had the correct mindset. However, take into consideration that you will need mental skills to become a consistent and profitable when trading your live account.

You need to accept that each individual trade, even though it's the same exact pattern as the previous trade, does not necessarily imply that the result is going to be the same. Why? Because taking a trade is based on human behavior, it's what you think it's going to happen. In order to have a winning trade, you also need that many others think the same way you do so that price goes in your direction. Not only that, but you need that many other traders are proven to be wrong in order to have a winning trade. If you win it means that another person on the other side is losing money.

Money is transferred from those that know what they are doing (novices without a carefree mindset) to the accounts of those that know what they are doing (professionals)

Use a sample size of 20 trades

The outcome of any given number of trades is random. We need, we have to accept randomness. Even if the same exact pattern happens 10 times in a row, it does not necessarily mean the outcome is going to be the same.

This is why we need to trade in sample sizes by considering a trade part of a bigger sample trade. Mark Douglas suggests a sample size of 20 trades.

You are going to take the next 20 trades. You are going keep yourself in the game with 20 trades. If you don't get the results you want, then you will have to tweak your entries to get better results, or ask in the forum any doubts you have about your trades.

Analysis Paralysis

Most traders have problems with having too many trades, what if you find yourself having too few? What to do when you get analysis paralysis and no longer see any good trades. This is a common problem for traders, that may default to doing nothing.

At the core of this paralysis there may be too issues - psychological damage from too many losses and a fear of being wrong.

In the first case, it's advisable that you stay away from the instrument that caused the losses until there's a clear move in any one direction. It is not a good idea to keep pressing the issue with the same instrument that has caused losses of 1/2/3/4/5/10% of your account. In the past you may have lost a lot of your account or even blown it up trying to trade the same instrument that has caused you losses and pain, and it feels like every decision is a bad one. Don't trade until you've accepted that you're wrong and you're ready to objectively look at the price movement again.

The answer to the second cause (fear of being wrong). You must accept that we can be wrong and when you are, accept that you've been wrong. Part of that is accepting the consequences. When your ego admits that losses can and will happen to, just as winner can and will happen to you, you become free to do as you see fit.

One final little thing - internally you need to look at it as giving and taking. **When you win you take from the market and you sometimes have to give back**, just as it is in relationships with people in your life.

Trading is not easy. Takes a lot of time. It varies from trader to trader and hard work and dedication does not necessarily bring success. If that were the case I would not be in this forum. It’s about attaining clarity and a deep fundamental understanding of the setups and the rule set.

Let's not beat the hell out of ourselves and let’s not blame our perceived inadequacies or lack of discipline, etc.- this will all fall into place with time, with deliberate practice of our defined trade setups and by committing to never giving up.

BOOKS TO READ THAT WILL HELP YOU OBTAIN A CAREFREE STATE OF MIND AND A BETTER PERSPECTIVE

- **Trading in the zone,** by Mark Douglas
- **The Disciplined Trader,** by Mark Douglas
- **The Universal Principles of Successful Trading,** by Brent Penfold
- The Secret, the Law of Attraction, by Rhonda Byrne
- **The science of getting rich, being well and being great,** by Wallace Wattles in 1910
- **Creating a bug free mind,** by Andy Shaw, 2 books
- **The Quantum Warrior** by John Kehoe
- **Attractor Factor** by Joe Vitale
- **Life's missing Instruction Manual** by Joe Vitale

How to use the supply and demand higher timeframe levels spreadsheet

The Supply and Demand spreadsheet tool has been created with the goal of having a quick bird view snapshot of where the currency pairs we're trading every day are located in the Daily, Weekly Demand and Supply Curve.

We need to be aware of where we are located in the supply and demand curve, it is key to have success in the markets.

After all what we all want to do is to "buy low" and "sell high" in order to increase our odds success, and obtaining as much benefits as we can from the supply and demand imbalances in the markets. This spreadsheet could be much better if I had the programming skills, but so far it's an amateur trial to obtain BID/ASK prices from Metatrader by using DDE Server, that's all. The other calculations, changing cells' background colors, calculating how low or high price is in the curve, etc, are all done based on BID/ASK prices and manually entered proximal and distal lines for D1, WK and MN supply and demand levels. There is also a png attachment that will give you a quick visual look of what the spreadsheet for supply/demand looks like.

WHAT IS A DISTAL LINE AND A PROXIMAL LINE?

An area of supply or demand is not just a single price/line (like classic support/resistance), but a zone/area composed of a number of pips. The highest part of that (rectangle) is the distal line, that is, the highest price in the zone. The lowest part of that rectangle is the proximal line, which is the lowest and the closest to current price.

- The closer we are to a supply area, the better for selling and/or exiting your long positions
- The closer we are to a demand area, the better for buying and/or exiting your short positions

The sole purpose of this spreadsheet is to allow you to know how high or low you are in the higher timeframe's supply and demand curves, but you need to add manually both the distal and proximal lines for both D1, WK and MN levels, or whatever timeframe you want to use as the curve.

IMPORTANT THINGS YOU NEED TO KNOW

- **All proximal and distal lines prices are manually entered**, you can change them and the spreadsheet will do all the % calculations for you
- **The spreadsheet has been created with free Open Office Calc**, it's not possible to load it in Microsoft Excel
- **You can add new pairs but you need to know how to do, we can't do it for you.** The pairs I've added can be copied/pasted, edited and adapted for a new pair but you need to know how you have to do that

- **Levels might differ depending on your broker**, and of course depending on what you consider to be the demand and supply areas in control at any given pair, it can be subjective sometimes
- **Drawing supply and demand levels can be considered an art. But it's not an art, it's just practice and experience.** You might see levels everywhere if you are new to supply and demand, with time you will get the practice and become better and better and drawing them

SPREADSHEET'S FEATURES

- There are 3 different BLOCKS or groups of columns that display Daily, Weekly and MonthlySupply/Demand levels. They are displayed between current price zones
- You just have to add proximal and distal lines manually, remember
- Each supply and demand area is composed of these fields: current price, % location in the curve, distal price and proximal price
- PIPS left for proximal line to be hit. These are the 2 pips fields located to both sides of current price
- It will calculate how low or high price is in the D1, WK and MN curve in percentages and will show them in the first 3 columns displaying different color codes depending on how how or low price is at that currency pair
- Colors are repainted, if a zone is broken and price re-enters the zone, it will look to you as if it had not been broken, same applies to all cells

CONDITIONAL CELL HIGHLIGHTING

There are a few conditional highligiting that have been added to the spreadsheet which will change the look of any given cell in order to visually help you distinguish what is going on with all the currency pairs.

- **Percentages,** curve % or altitude (how high or low in the curve) are calculated by using the proximal lines, a simple subtraction
- **SD level about to be hit**. If current price is between 0 to 40 pips from hitting the proximal line of a SD level, the pip cell will be highlighted to yellow
- **SD level broken**. If current price is higher than the distal line, the cell will be highlighted in Purple. This will mean that the SD area has been broken
- **SD level has been hit, price is within the level**. If current price has hit the proximal line, the proximal line cell will be highlighted in Red. This will mean that current price is within that area
- **SD level has been penetrated more than 50%.** If distal line cell is Yellow, it will mean that price has penetrated your SD zone at least 50%

- **Price is low in the curve** . If we are low in the curve 0-40%, the % cell will be highlighted in blue
- **Price is in the middle of the curve.** If we are 40-60 % in the curve, the % cell will be highlighted in green
- **Price is high in the curve.** If we are high in the curve 40-60 %, the % cell will be highlighted in green
- **Spread is too high.** If spread is bigger than the average on your broker (this is a personal setting), then the spread cell will be highlighted in yellow

Why all these conditions? How can it be of any help to you?

Checking the spreadsheet is the first thing I do in the mornings or at any time of the day that I start trading, I will know which pairs I should look at first, because if the levels are broken or penetrated, if price is too high or low in the curve or, I will be interested in setting a limit order at the first valid previous SD level with a good imbalance, to keep on trading in the direction of the breakout or the rejection.

How to add more currency pairs or how to modify existing ones if your broker uses suffixes for symbols?

- Many brokers use suffixes like . pro, m, etc, that are added at the end of the symbol. If that is your case, you need to edit the current price cell formula =DDE("MT4";"BID";"EURUSD";1) and change it to whatever your symbol is, like for example: =DDE("MT4";"BID";"EURUSD.pro";1).
- You have to change that for both current price column and spread column, because the spread column uses both bid and ask prices
- There are some calculations that use columns on the far right on the spreadsheet and some variables lower. If you move the cells or columns, some of these calculations will not work, like the % of penetration of a level, because it uses a fix variable within the conditional formatting, like Sheet1.AC9

	D1 %	W1 %	MN %	SPREA	D1 SUPPLY distal	D1 SUPPLY proximal	PIPS	CURRENT	PIPS	D1 DEMAND proximal	D1 DEMAND distal
EURUSD	116,7	165,7	36,9	0,2	1,3711	1,3580	-45	1,3625	315	1,3310	1,3244
USDCHF	-1,2	32,2	-7,0	1,1	0,9406	0,9345	356	0,8989	-4	0,8993	0,8931
GBPUSD	38,8	63,0	86,1	0,8	1,6453	1,6344	185	1,6159	117	1,6042	1,5955
USDJPY	8,1	38,1	65,4	0,4	101,54	100,94	371	97,23	33	96,90	95,80
USDCAD	46,8	36,9	86,5	0,7	1,0516	1,0492	163	1,0329	144	1,0185	1,0136
AUDUSD	32,4	39,4	27,6	0,6	0,9800	0,9647	255	0,9392	122	0,9270	0,9223
NZDUSD	34,6	61,6	85,5	1,3	0,8675	0,8593	300	0,8293	158	0,8135	0,8095
AUDCAD	78,2	107,5	45,2	2,0	0,9816	0,9738	37	0,9701	134	0,9567	0,9526
AUDJPY	-3,7	24,9	37,9	0,9	97,37	96,49	517	91,32	-18	91,50	90,64
CADJPY	36,6	22,0	18,1	1,2	99,01	97,67	354	94,13	205	92,08	91,18
EURAUD	38,8	56,4	98,4	1,1	1,5031	1,4904	398	1,4506	252	1,4254	1,4165
EURJPY	7,4	44,0	92,9	1,3	138,70	137,29	482	132,47	38	132,09	131,62
EURNZD	97,9	63,2	51,6	4,7	1,6564	1,6436	10	1,6426	452	1,5974	1,5859
GBPCAD	66,3	49,5	47,0	5,4	1,6800	1,6741	53	1,6688	105	1,6583	1,6512
GBPJPY	56,3	90,3	94,3	2,2	165,05	161,39	428	157,11	553	151,58	150,47
GBPNZD	2,6	35,7	253,8	4,7	2,0077	1,9940	459	1,9481	12	1,9469	1,9309
NZDCAD	98,1	92,1	101,5	1,3	0,8636	0,8582	17	0,8566	860	0,7706	0,7616
SILVER	61,8	59,4	21,2	1,4	23,20	22,96	130	21,66	209	19,57	19,15
BRENT	-18,1	38,2	72,4	6,0	119,14	118,24	961	108,63	-147	110,10	108.58
GOLD	4,7	46,1	21,6	27,0	1433,71	###	9834	1315,87	487	1311,00	1291,00
S&P E-mini	140,0	88,8	89,0	40,0	1669,70	###	-1830	1676,50	6400	1612,50	1599,70
NASD. Mini	216,6	195,4	113,4	200,0	3147,90	###	-8480	3210,90	15750	3053,40	3028,20
RUSSELL 2K	139,8	130,2	105,9	30,0	1044,90	###	-3100	1069,70	10880	960,90	942,00
DAX	-68,1	370,4	101,8	800,0	8559,00	###	###	8573,00	4750	8525,50	8445,30
FTSE											
USDINDEX	###	###	###	#VALU	82,51	82,10	###	N\A	###	80,54	80,31

	WK SUPPLY distal	WK SUPPLY proximal	PIPS	CURRENT	PIPS	WK DEMAND proximal	WK DEMAND distal
EURUSD	1,3711	1,3461	-164	1,3625	414	1,3211	1,3104
USDCHF	0,9455	0,9313	324	0,8989	154	0,8835	0,8566
GBPUSD	1,6745	1,6508	349	1,6159	595	1,5564	1,5422
USDJPY	103,73	101,86	463	97,23	285	94,38	92,56
USDCAD	1,0609	1,0520	191	1,0329	112	1,0217	1,0136
AUDUSD	1,0384	1,0277	885	0,9392	575	0,8817	0,8632
NZDUSD	0,8842	0,8642	349	0,8293	560	0,7733	0,7682
AUDCAD	0,9816	0,9635	-66	0,9701	941	0,8760	0,8546
AUDJPY	107,71	105,93	1461	91,32	484	86,48	85,13
CADJPY	101,05	100,40	627	94,13	177	92,36	91,17
EURAUD	1,5459	1,4883	377	1,4506	487	1,4019	1,3810
EURJPY	139,20	137,70	523	132,47	411	128,36	124,96
EURNZD	1,7425	1,7180	754	1,6426	1294	1,5132	1,4966
GBPCAD	1,7285	1,7026	338	1,6688	332	1,6356	1,6171
GBPJPY	165,05	158,67	156	157,11	1462	142,49	137,83
GBPNZD	2,1051	2,0771	1290	1,9481	716	1,8765	1,8428
NZDCAD	0,8780	0,8637	71	0,8566	833	0,7733	0,7682
SILVER	24,83	23,86	220	21,66	321	18,45	17,15
BRENT	119,14	117,88	925	108,63	571	102,92	96,73
GOLD	1495,50	1465,93	15006	1315,87	12827	1187,60	1156,85
S&P E-mini	1708,70	1691,00	1450	1676,50	11520	1561,30	1535,70
NASD. Mini	3147,90	3126,1000	-8480	3210,90	17370	3037,20	3026,96
RUSSELL 2K	1063,10	1047,4000	-2230	1069,70	9620	973,50	942,00
DAX	8559,00	8338,3000	-23470	8573,00	32150	8251,50	8086,70
FTSE							
USDINDEX	89,71	88,37	###	N\A	###	81,80	80,50

	MN SUPPLY distal	MN SUPPLY proximal	PIPS	CURRENT	PIPS	MN DEMAND proximal	MN DEMAND distal
EURUSD	1,5139	1,4726	1101	1,3625	643	1,2982	1,2660
USDCHF	1,0065	0,9821	832	0,8989	-54	0,9043	0,8566
GBPUSD	1,7057	1,6457	298	1,6159	1839	1,4320	1,3507
USDJPY	110,65	107,90	1067	97,23	2019	77,04	75,56
USDCAD	1,0865	1,0437	108	1,0329	697	0,9632	0,9405
AUDUSD	1,0384	1,0277	885	0,9392	338	0,9054	0,8769
NZDUSD	0,8807	0,8540	247	0,8293	1449	0,6844	0,6560
AUDCAD	1,0783	1,0622	921	0,9701	760	0,8941	0,8387
AUDJPY	108,02	105,29	1397	91,32	854	82,78	79,43
CADJPY	107,13	103,85	972	94,13	216	91,97	88,50
EURAUD	1,5459	1,4544	38	1,4506	2343	1,2163	1,1605
EURJPY	139,30	133,37	90	132,47	1166	120,81	118,72
EURNZD	1,8130	1,7157	731	1,6426	780	1,5646	1,4834
GBPCAD	1,9298	1,7989	1301	1,6688	1154	1,5534	1,4831
GBPJPY	163,06	157,96	85	157,11	1399	143,12	137,82
GBPNZD	1,8130	1,7157	-2324	1,9481	3835	1,5646	1,4834
NZDCAD	0,8807	0,8540	-26	0,8566	1722	0,6844	0,6560
SILVER	37,48	33,14	1148	21,66	308	18,58	14,04
BRENT	119,14	111,28	265	108,63	696	101,67	96,73
GOLD	1615,57	1579,40	26353	1315,87	7274	1243,13	1156,85
S&P E-mini	1708,70	1708,70	3220	1676,50	26180	1414,70	1347,90
NASD. Mini	3147,90	3147,9000	-6300	3210,90	53270	2678,20	2513,70
RUSSELL 2K	1063,10	1063,1000	-660	1069,70	11920	950,50	894,00
DAX	8559,00	8559,0000	-1400	8573,00	79160	7781,40	7397,10
FTSE							
USDINDEX	89,71	88,37	#VALUE!	N\A	#VALUE!	81,80	80,50

News, slow markets and Sunday open

Choosing not to take a trade is also a decision, in fact it is a very important decision, the best one you will take under certain scenarios.

It's good to know when to and when not to trade. There are times when we should not be trading because it can result in unnecessary losses. There are traders out there that love trading the news, you can earn a lot of money but you can also lose a lot. I just prefer to stay out of big news events and take my day off.

Staying out of the news when trading lower timeframes (H4 and lower) is a good trading decision. *The lower the TF, the easier they can be probably overshot/removed prior/during/after a big news event.*

When trading the bigger timeframes, D1 and WK timeframes, news should not be of any concern if the bigger timeframes with you. News will most likely be the event needed for price to reach your bigger TF entry, price will probably resume it's trend and many retailers will fall in the trap.

NEWS

- **Stay away of these big news events:**
    - Central banks % interest rates if the forecast is different previous one
    - CPI
    - NFP
    - BCE/FOMC speeches/minutes (in general all Central Banks speeches, Bank of Canada, Bank of England, Bank of Japan)
    - Unemployment rates
- **Take your day off when there are big news** like NFP or a BCE / FOMC speech, we don't want to gamble, we want to trade. Price can go anywhere
- If we already are at breakeven on a trade, we will decide if we want to keep it or close it depending on what the SD technical analysis is telling us to do. We may decide to lock in some profits moving the SL above/below previous valid SD zone and see what happens after the news

- **Do not scale in or add new positions a couple of hours before, after or during big news events**, wait for price to either resume previous trend or break it, do not anticipate or assume something is going to happen because you don't know what's going to happen. This is Rule #1 in trading: we don't know what's going to happen

SLOW MARKETS

- **Try to stay out of H1 SD levels formed during slow market conditions**, normally after major market closes or during the Asian session, unless the pair is composed of 2 Asian currencies, for instance AUDJPY. Be patient and wait for some volatility and new SD levels formed during fast markets like the London and NY sessions
- **Monday mornings are normally very slow**, usually no news events. After Monday's NY session sometimes the markets will start moving a bit. Trade only clear levels during these times
- **EXCEPTIONS:**
    - If trading the D1/WK imbalances, you shouldn't worry about those events if the levels are well formed and the trend is clear
    - If price is at HTF SD zone and it's strongly reacting from it, you can optionally leave your trade on during the weekend if you got triggered on Friday
        - Look at news Forex Factory for Monday and see if there are major news events that could affect your entry
        - Add some more wiggle room to your SL if current price is too close to your entry, Sunday open gaps could kick you out
        - You can optionally close part of your position or move your SL to BE, but if price is bouncing off a HTF supply area, trust in the zone, add some more wiggle to your SL and see what happens with a smaller $ risk on your trade
        - If on Monday there are major US or EURO banks holidays, that could give you a hint as to hold the trade during the weekend by lowering the risk in case the gap might be higher than expected

LATE FRIDAY AND SUNDAY OPEN

- **Friday NY sessions are not that volatile normally**. If you only trade the NY session, take your day off
- If you have orders open on Friday, it's wise to close them unless you are a position trader. You don't want to be caught by a big gap on Sunday open due to speculations or an unplanned high impact news event that occurred during the weekend
- **Avoid trading Sunday open**, spreads are widened due to the lack of liquidity during those market hours, gaps may occur due to unexpected high impact news resulting in your SL not being respected at all

WHEN NOT TO CARE ABOUT THE BIG IMPACT NEWS EVENTS

- If your entry is at a D1 level with the MN/WK/D1 trend, you can skip the no trading during big event news. I will personally NOT take into account the news, no matter what they say or speculate
- What we shouldn't do is trading a level which is in the middle of HTF zones, however if the entry is on a D1 demand zone (the whole D1 demand zone itself or a drilled down entry on H4/H1), the entry has higher odds since it goes with the HTF position MN/WK/D1 combo
- Remember we're always talking about probabilities here, it's up to each of up to decide what to do in each of these circumstances

Quick summary of MOST important rules

- **Trade only fresh levels** when you are in a trending market and you have enough room to opposing higher timeframe SD area
- **Trade when you have a clear direction on MN and D1**, else wait at least to have direction and momentum on the D1 timeframe
- Use the trendlines to assess the trend on any TF
- Use the H4 TL when trading MN/D1 combos and the trade at the D1 zone is already playing out
- **A bigger timeframe wins over a lower timeframe most of the times,** the exception is exactly the opposite
- **Trade original AND fresh levels at higher timeframes areas if you want to go counter trend**
- **Do not trade non-fresh levels** on Set & Forget
- **Always wait for confirmation at non-fresh higher timeframe areas**. If used-up, wait for confirmation with a clear new trend in the opposite direction.
  Higher timeframe areas are D1, Weekly and Monthly
- **Wait for confirmation AND/OR trendline break if the higher timeframe level is not fresh and not used up (more than 2 retests)**
  <u>NOTE</u>: sometimes it's not a trendline OR a SD area that needs to be absorbed, but a classic and obvious support/resistance area. If that you find such an area, wait for it to be taken out
- If a HTF zone is used-up, that is, 2 or more retests, neither trade it on confirmation nor on set & forget, pass on it
- **Stop trading if 3 or more 3 CP patterns have been formed in the same direction**. By that time, price will be over-extended and you will be buying/selling after a strong price movement, too high or too low, thus not high odds
- **Use WoW trades for confirmation**
- **Lower WoW trades against a bigger timeframe area in control or bigger TF WoW trade** is not high odds.